



PROGRESS REPORT ON CHEMICAL MANAGEMENT

SUMMARY APRIL 2019

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

1) **Goal/target: the public's right to know – disclosure**

We will deliver on full transparency of hazardous chemical use in our global supply chain. We will deliver public reporting of hazardous chemical use, starting with

- (i) at least 99% of all 'wet processes' for China-based suppliers by no later than 31 December 2014 via the IPE Detox platform,
- (ii) at least 50% of all wet processes across our global supply chain by no later than 31 December 2015 via the IPE Detox platform;
- (iii) and at least 80% of all wet processes across our global supply chain by no later than 1 July 2016 via the [IPE Detox platform](#).

We will ensure full details of all wet processes across our global supply chain are always publicly available.

Progress/achievement to date

I) Disclosure on IPE DETOX

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. The suppliers disclosed on IPE are located in China, Vietnam, Taiwan, Thailand, Cambodia, Indonesia, India, Pakistan, Korea, Japan and Turkey.

II) 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.

In the latest IPE report 'Greening the Supply Chain' issued in 2018, 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.

III) 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](#)).

Detox protocol/findings to date:

The vast majority of Detox priority chemicals have either been used in production processes unintentionally (as part of auxiliaries and dyestuffs) or have been effectively removed in wastewater treatment processes, as test results are mostly ND (not detectable). Those chemicals include: phthalates, brominated and chlorinated flame retardants, azo dyes, organotin compounds, chlorinated solvents, chlorophenols, SCCPs, heavy metals (lead, mercury, chromium (VI)), cyanide and APEOs/NPEs. 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.

2016

ZDHC Wastewater Guideline Development

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 TLVs ([ZDHC Wastewater Guidelines](#)).

2017

Adopting the industry standard and going beyond legal requirements

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.

According to the latest wastewater test results, the majority of our facilities meet the local legislation or the requirements of the wastewater treatment plant. However, suppliers face challenges in fulfilling the aspirational level of the ZDHC Wastewater Guidelines by 2020. We are now closely working with our suppliers to develop and implement corrective action/remediation plans to close the gap as soon as possible.

2018

Partnering with Sustainable Textile Solution (STS) to close the gap for suppliers in achieving ZDHC waste water requirements

To support our supply chain partners in achieving the aspirational level of the ZDHC waste water guidelines, we partnered with STS to conduct feasibility studies for 20 strategic suppliers located in 4 key production countries. 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.

2019 and beyond

We are intensively working on our goal to continuously reduce our chemical footprint along the whole value chain. In the next 5 years, we intend to enhance the involvement of chemical management requirements into our business plan.

2) **Goal/target: PFC elimination**

As adidas is fully implementing the precautionary principle, we publicly committed to eliminating 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 (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 the following next steps:

- i. adidas has committed to being 90% PFC-free as of 15 June 2014;
- ii. adidas has committed to eliminating 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;
- iii. documentation of how PFCs have been substituted with safer alternatives and publication of these case studies via the online Subsport.org platform;
- iv. 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;
- v. working in partnership with our supply chain and other global industry leaders to accelerate the move to non-PFC technologies.

Progress/achievement to date

In 2016, we have 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 repellency. We are constantly and carefully testing alternative concepts to achieve our commitment and provide the best products to our consumers. We also work in close collaboration with leading chemical companies to explore formulations which are still in the R&D phase.

However, the transition to PFC-free finished products continues to cause challenges, taking into consideration our diverse product portfolio in footwear, apparel and accessories, and our global supply chain.

During the initial R&D phase, we found performance differences in lab vs. wear tests. Therefore, we had to adjust our overall testing procedure. At the same time, we also detected differences in the performance of the same PFC-free solution from one supplier to another. With the support of our in-house production specialists from the manufacturing excellence team, these initial application issues have been solved.

We also realised that, due to the newness of certain alternatives, application processes had to be adjusted significantly. With our technical team, we supported our material suppliers in adjusting key production processes and applied them across the supply chain.

Through our research and innovation efforts, we have achieved significant progress towards developing PFC-free water-repellent materials which meet our standards for many of our product types, in order to provide consumers with water-repellent equipment for apparel, footwear and sporting goods.

We have been successful in applying PFC-free solutions as water-repellent finishes to many different end uses, especially in lifestyle and entry-level performance products. We now have 48 approved PFC-free solutions.

At the same time, 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 exceptions, when it is absolutely necessary to achieve the highest performance level.

As there are no global standards to define 'PFC-free', we have developed and implemented an adidas PFC-free policy in early 2016 and updated this policy in September 2018 with the Version 2.0:

- It summarizes the most up-to-date findings of our research work and describes a sophisticated procedure to ensure compliance with our PFC-free program and eliminates the intentional use of PFCs. The policy covers the full supply chain, end to end: from input chemistry to production through to the final product.
- We have engaged with universities, leading testing laboratories and many other stakeholders to identify the right tests in the right place to ensure compliance throughout our supply chain.

- The policy 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.

We have been testing not only the newly developed materials on their content of fluorinated compounds, but also established smart end-to-end testing: every PFC-free formulation that is used to produce the water-repellent materials is tested. This test for fluorinated compounds is also applied to every newly developed material containing water-repellent treatments, as well as to finished garments using a random-test approach. Overall we carried out more than 1500 tests.

In our continuous efforts to create further transparency in our supply chain, we also detected PFCs in processes where we did not expect them. 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 able to eliminate the use of PFCs for these applications (See the [Chemical Management Progress Report from April 2018](#)).

All these steps and achievements have been crucial to successfully achieve our PFC-free commitment which we gave in 2013. By the end of 2017, more than 99% of our products are PFC-free.

Beyond 2017/18:

- We will 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 the continuous improvement of the performance of our PFC-free products.
- We will report on the current status of our PFC-free product share on a yearly basis.
- For high end-performance products we will be proactively searching for suitable alternatives in close collaboration with academia and thought leaders with profound technical expertise. This includes our continued work with Gore™.
- We will 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 (See the [Chemical Management Progress Report from April 2018](#)).

3) Communication with suppliers and capacity building

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.

Progress/achievement to date

2014

Chemical Management Guideline (CMG)

We developed in 2014 an innovative capacity-building program 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.

2016

Program refinement and strengthening the industry collaboration

To assist suppliers to continuously enhance their chemical management program, we refined our training on the Chemical Management Guideline 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 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 program will lead to changes in the entire footwear and apparel industry. See [2016 Sustainability Progress Report](#) and [ECHA Guest Column](#).

2017

Continuous industry engagement: Harmonization of the ZDHC audit protocol with SAC HIGG FEM 3.0

The industry-wide alignment on an assessment protocol for the chemical management is a significant step forward to drive best practice implementation at the suppliers. We have been heavily involved in the development and harmonization process of the chemical management audit protocol from the Facility Environmental Module (FEM) 3.0, which was officially released in 2018 by the Sustainable Apparel Coalition (SAC). The implementation of a standardized and harmonized assessment tool in the industry enables a consistent evaluation on suppliers chemical management performance across the value chain.

2019 and beyond

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. Further refinement of our chemical management training programs is ongoing and more comprehensive programs will be rolled out to our key suppliers from 2020 onwards.

4) Chemical input management – bluesign and MRSL

Progress/achievement to date

In 2016, we further strengthened our focus on chemical input management. 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. They 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](#)).

We met our 2018 target of '72% of auxiliaries and 86% of dyestuffs to be bluesign-approved'. The suppliers actually exceeded this target: 76% of auxiliaries and 87% of dyestuffs are now bluesign-approved. Looking forward, our 2019 targets for our strategic apparel material suppliers are: 77% of auxiliaries and 88% of dyestuffs becoming bluesign approved.

The chemical inventory of those suppliers who produce more than 85% of our apparel material volume was recorded twice in 2018, in order to monitor their progress. The chemical inventory was recorded and monitored for the full production volumes of the suppliers.

Additionally, we further collaborated with the ZDHC organization and have contributed to the first industry-wide Manufacturing Restricted Substances List (MRSL), an important breakthrough in the industry. In 2015, the MRSL was further extended to cover leather processes and will be continuously updated. The MRSL is a strong base for the industry to start managing the chemical input in a harmonised manner.

In 2016 and 2017, we contributed to the MRSL Conformance Guidance, a highly sophisticated document that aims to support the implementation of the ZDHC-MRSL, which was released in June 2017. In 2017 we continued our efforts by contributing to the development of a transparent and credible MRSL update process precisely described in the "Updating the MRSL – Principles & Procedures" guidance document, that was released in January 2019.

We have 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 have collected signed ZDHC-MRSL acknowledgement letters from our T2 wet process suppliers (in total more than 290 suppliers). In 2018, we analysed the feedback of our suppliers on the MRSL acknowledgement letters and now aim to build an automated system to monitor and track supplier compliance with the MRSL. Starting in 2019, we will run a pilot with the majority of our strategic apparel material suppliers at tier 2 level that will help us to define an highly advanced MRSL monitoring and tracking strategy. [ZDHC MRSL](#)

You will find more information about our comprehensive chemical management program on our website: [Chemical Footprint](#).

5) **Seachange: Driving innovation in wastewater management**

Innovation is part of adidas' DNA, therefore scouting of new technologies is a key element of our chemical management program. At the end of 2018 we started a pilot of Seachange Technologies wastewater treatment at one of our supply chain partners. The technology is still in an early stage but shows great potential to effectively manage challenging waste water streams, significantly reducing sludge and chemical discharge. The technology uses a novel process, which evaporates the waste water and eliminates dyes, process chemicals, and microfibers through an advanced, proprietary oxidative technology. Our pilot with Seachange shows adidas' commitment to support early stage start-ups with potential to reduce our footprint and drive the industry to a sustainable future.

6) **2020 and Beyond**

Over the last years the textile, apparel and footwear industry has transitioned from being re-active, where sustainability in general and sustainable chemical management programs in particular have been in a very early phase if existing at all, towards an industry where sustainability has increased in momentum significantly. We have seen frontrunner brands as key drivers for innovation and the implementation of aligned industry standards.

With the ZDHC as an established key player for developing and driving aligned implementation regarding input, process and output with their harmonised industry tools (MRSL, MRSL Conformance guidance, MRSL Update Guidance: Principles & Procedures, Chemical Inventory List (CIL), Wastewater guidance, ZDHC academy and the ZDHC Gateway) we now have the right industry tools in place to significantly improve the chemical management programs end to end: from input and process to output. This has the power to bring the whole textile, apparel and footwear industry to the next sustainability level globally.

We are striving to continuously improve our chemical inputs as well as the closely related processes (supplier performance) and outputs (wastewater). In this context we have been driving the alignment between the industry federations with their programs and tools: ZDHC, AFIRM and SAC. We believe that collaboration is key to success for the whole textile, apparel and footwear industry.

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

- 1) **Drive implementation:** we will strengthen the implementation of aligned industry tools (MRSL, Wastewater guidance, Gateway, Higg FEM 3.0, RSL) in our supply chain. Therefore we are supporting the ZDHC Signatory brand leader program to evaluate and benchmark the implementation efforts and to identify implementation improvement potentials of a committed brand.
- 2) **Continuous improvement:** 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:** As part of the DNA of adidas, we will continuously innovate in new disruptive technologies, which will change the way materials are made and chemicals are used.