

March 15, 2012

Dear Supply Chain Partner,

Important Update: Zero Discharge of Hazardous Chemicals (ZDHC) Project

adidas Group has joined a coalition of brands, which includes C&A, G-Star, H&M, LiNing, Nike and Puma, to deliver a major change in the way the footwear and textile industry uses and disposes of hazardous chemicals. In short, we are looking to set a new standard, one that will be adopted industry-wide, in every country. The changes we are seeking to make will, in time, lead to technically possible eliminations and/or replacements of hazardous chemicals along the entire supply chain: from raw materials, to materials and fabric production and final assembly of our products. Together the collaborating brands have created a joint roadmap (http://www.adidas-group.com/en/sustainability/statements/2011/Joint_Roadmap_Zero_Discharge_Nov_2011.aspx), which defines areas for research for the coming year and which will include pilot studies undertaken in partnership with key Tier 2 material suppliers in China, Bangladesh, Indonesia and other countries. 2012 is our foundation year and the beginning of an 8-year work programme which, by 2020, will result in a new standard and progressive improvement in the way our business partners use and dispose of hazardous chemicals.

The programme of work will build on our existing standards and requirements, such as our ban on the use of certain hazardous chemicals in the workplace, environmental data disclosure, our 2015 targets to reduce energy consumption, water use and waste and wastewater discharges, and improved ways of managing the environmental footprint of production facilities. The focus is chemicals and in particular hazardous or persistent chemicals that have the potential affect the environment, be it air, water or ground contamination. The project's goal is very clear: the *zero discharge* of hazardous chemicals by 2020.

What Is Your Role?

Firstly, to be aware of this project and the associated programme of work and promptly respond to requests for action or information that adidas Group may issue.

Secondly, for those of you who may be approached and asked to participate in the pilot studies or in the testing of the tools in your factories, offer your full support to help us deliver against our targets.

Thirdly, since this is an immediate task for all actors within the footwear supply chain please share this communication with your business partners in your upstream supply chain so that all players are aware of this program and act upon it.

All of our business partners are required to avoid the intentional use of those substances which are listed in our A-01 Policy and to comply with best practice standards. Business partners are expected to take a proactive stance in improving the environmental impact of the materials they supply by ensuring, among other things, 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.

Where banned chemicals are currently in use, these must be eliminated and replaced with non-hazardous chemicals.

Over the course of this year we will arrange for supplier briefings and training, and you are required to send along only those staff members who are qualified to act on the information and updates we will share, to better manage and eliminate the use of hazardous chemicals in your production processes. We will also provide regular updates on our programme progress and from time-to-time also issue letters, such as the one you are now reading, which will define specific requests and actions that need to be taken in support of our programme of work. In the next section, we have outlined the first request for your action.

At the end of each year we will be publishing our findings and conducting a consultation exercise to obtain industry, government and civil society feedback on the project. We would welcome your input and views at every stage in the development of our project. If you have concerns or questions please let us know.

Request for action on APEO/NPE-free preparations

In launching the Zero Discharge project, one of our first actions is to address the discharge of alkylphenol ethoxylates (APE or APEO) from our industry.

APEOs are a class of chemical substances and include nonylphenol ethoxylates (NPE or NPEOs) and octylphenol ethoxylates (OPE or OPEOs). APEOs are non-ionic surfactants commonly used as ingredients in chemical preparations such as detergents, degreasers, scouring agents, wetting agents dyes, printing pastes, and spinning oils.

How can you help move us towards zero discharge of APEOs?

1. Be aware that we informed all shoe factories as well as all material suppliers.
2. If you are using chemical formulations ask suppliers if the chemical preparations you currently use for apparel or footwear production or general cleaning are APEO-free¹.
3. If you are using chemical preparations that are not APEO-free, look for APEO-free alternatives. Regardless of the certifications, ask your chemical supplier to confirm that ALL products are APEO-free.

Please refer to the table below for a summary of the actions which need to be taken by adidas, our Tier 1 supplier and Tier 2 material suppliers.

¹ Information on Material Safety Data Sheets (MSDS's) may not be sufficient to ensure that preparations are APEO free and you should ask your chemical supplier for written confirmation that APEOs are not present. Many reputable chemical suppliers will also provide, on request, certification that chemical formulations and products are APEO free.

Table 1 Summary of Actions on APEO/NPE-free preparations

| Item | Zero Discharge of APEO / NPEOs | Action By | | |
|------|---|--|---|--|
| | | adidas Group | Finished Goods Manufacturers (Tier 1 suppliers) | Material Manufacturers (Tier 2 suppliers) |
| 1 | Communication to Action on APEO / NPE free preparations | X <i>Communicate to all suppliers</i> | X <i>Communicate to all subcontractor / suppliers</i> | X <i>Communicate to all subcontractor / suppliers</i> |
| 2 | Check whether currently used chemical formulations are APEO / NPE free | | X | X |
| 3 | If chemical formulations are not APEO / NPE free, look for APEO / NPE free alternatives* | | X | X |
| 4 | Require all chemical suppliers to confirm that their products sold to the factory are APEO/NPE free | | X | X |
| 5 | Spot check on compliance towards Action on APEO / NPE free preparations | X | X <i>Tier 1 suppliers are expected to spot check their Tier 2 suppliers for compliance</i> | |

Note: *possible options for identifying APEO/NPE free alternatives

- Contacting your current chemical supplier and asking for APEO-free formulations.
- Using the CleanGredients® database for surfactants to find substitutions for APEO surfactants used in detergents, <http://www.cleangredients.org/home>
- Using products and processes reviewed under the bluesign® process and listed on the bluesign® bluefinder, <http://www.bluesign.com/index.php?id=115>.
- Using chemicals that meet the Global Organic Textiles Standard (GOTS).
- Using chemical preparations certified under the OEKO-TEX® Eco-Passport system.

Achieving the goal of zero discharge is a complex challenge – one that our brand collaboration cannot solve alone and we appreciate your effort to find APEO-free chemical preparations for your production processes.

As our work on the Zero Discharge project progresses, we will be conducting spot audits to check compliance with this request and may ask to review the records you hold showing that the chemical used in your operations are APEO free.

We look forward to engaging with you as the programme of work proceeds and develops over the course of time. If anything in this letter is unclear to you and you have questions, please do not hesitate to contact your local Material Manager.

Kind Regards,
For and on behalf of adidas Group

Martin Manghelli
(Head of Material Sourcing Footwear)