

# **Ø ZDHC**

## **Case Study:**

## **Commodity Chemicals Guide**

### **Understanding the Commodity Chemicals Guide implementation challenges at the suppliers' facility**

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## Background

Commodity chemicals are within the ZDHC MRSL scope but excluded from Performance Incheck Reporting. Some of the challenges of engaging commodity chemical (CC) sellers could be complex sourcing patterns, a lack of business case and the challenges of engaging the commodity chemicals industry in the ZDHC Gateway and populating these products in the ZDHC MRSL conformant products database.

Further, ZDC MRSL listed substances are never intentionally added to the commodity chemicals, they are usually observed as unintentional contaminants at very low levels and thus limit values as per ZDHC MRSL cannot be established for commodity chemicals. Suppliers source commodity chemicals from varied sellers, such as manufacturers, distributors, traders or recyclers. This makes therefore a complete process of establishing ZDHC MRSL conformance challenging as per the established methods.

Therefore, suppliers must manage commodity chemicals as part of their sustainable chemical management practices, until such a business model is developed by ZDHC. To support the industry, ZDHC published the ZDHC Commodity Chemicals Guide V1.0.

Suppliers must know where they are purchasing commodity chemicals. To do so, they must evaluate commodity chemical sellers, obtain declarations, and ensure relevant training for these sellers.

## Objective

The objectives of this case study were:

- **To understand the supplier's challenges:** How did they find implementing the requirements in the ZDHC Commodity Guide.
- **To analyse the case study data, look for patterns in the submitted data** and analyse the data to make informed improvements.
- **To gather information on time commitment from suppliers:** How long did it take to get the relevant information for implementing the guide requirements from commodity chemical sellers.

## Methodology

The methodology for conducting the case study involved the following steps:

1. **Introduction call:** A special introduction call was held to explain the ZDHC Commodity Chemicals Guide V1.0 and the step-wise approach to the participants, followed by a question-and-answer session.
2. **Facility Selection:** The facility operations were aimed at including different types of operations.
3. **Data Collection:** Suppliers gathered data from commodity chemical sellers. The entire process was subdivided into five individual steps. Suppliers were then asked to follow these steps and submit their findings. These steps can be summarised as
  - a. Prepare CIL for commodity chemicals
  - b. Obtain self-declarations from commodity chemical sellers
  - c. Evaluate individual commodity chemical sellers
  - d. Prepare a follow-up action plan
  - e. Submit the data
4. **Data Analysis:** ZDHC analysed the data to determine the total number of commodity chemical sellers per supplier, the different categories of those sellers, and the time requirements to obtain the data.

## Purpose

This case study aims to obtain the feasibility of implementing the ZDHC Commodity Chemicals Guide V1.0 at the supplier's facility. The data and the information obtained in this case study will be used to prepare future action plans concerning the guide's implementation.

# Case Study Participation Requirements

## Eligibility Criteria:

- Selected suppliers were approached. The selected suppliers are the most engaged in the Roadmap to Zero Programme.
- Different demographics and the different types of processes that they carry out were also considered. This is done to cover textile, footwear and leather processing. Unfortunately, we were unable to onboard any footwear suppliers in this case study.

## Expectations:

- Attending the introduction call.
- Collecting the required information from the commodity chemical seller.
- Completing the required information in the Excel template.
- Sharing the data with ZDHC.

## Participating facilities

The below suppliers participated in this case study:

Supplier Name	Country	Process
MAS Holdings	Sri Lanka	Textile
Teejay	Sri Lanka	Textile
Conceria Zabri S.p.A.	Italy	Leather
AJ TÊXTIL	Brazil	Textile (knit dyeing)
Coats Shenzhen Limited	China	Textile
RVB malhas	Brazil	Textile (vertical producer/ synthetic knits)
primeasia China	China	Leather
primeasia Vietnam	Vietnam	Leather
J P Kachiwala Textiles P. Ltd	India	Textile
Vicunha	Brazil	Textile

## Performance Metrics

Since the objective of the case study was to gather information, the performance metrics were based on the fulfilment of the expectations rather than the actual results obtained through the case study.

## Key Findings

To keep the data anonymous, we will not disclose individual data against the company's name; instead, we will use range or average numbers (when required).

### Challenges in obtaining the information:

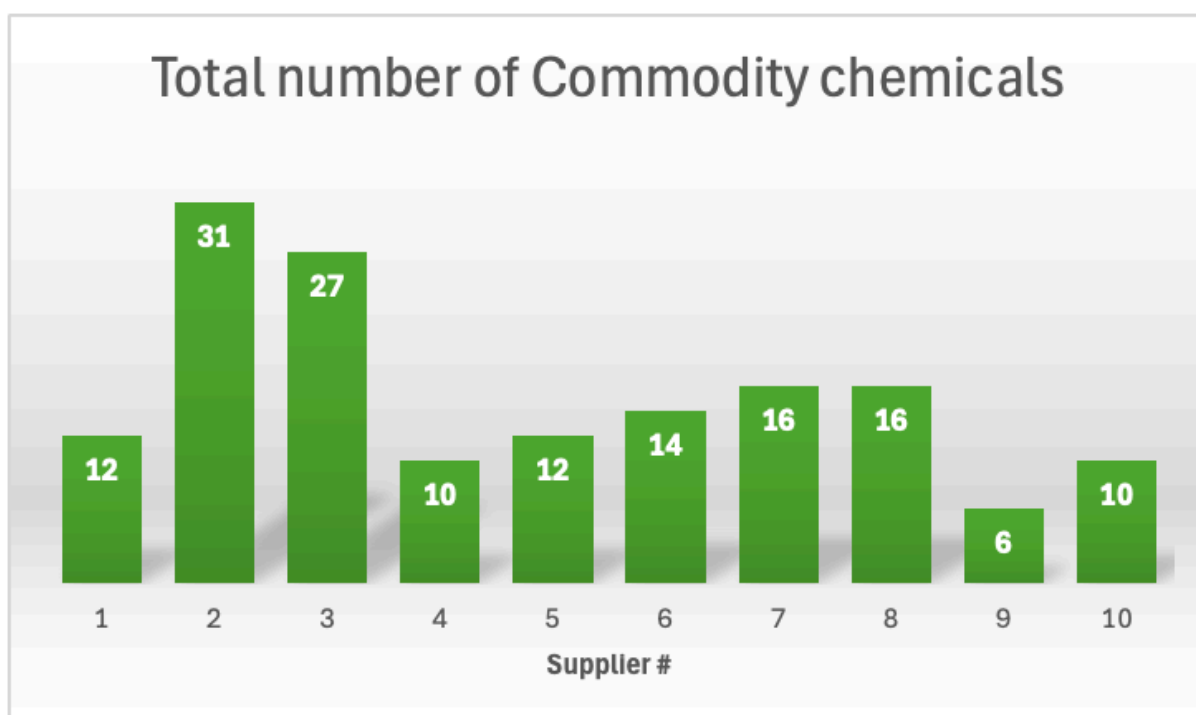
1. **Completeness of information:** One step of the case study was to mention how many CC sellers sent their self-declarations. Suppliers provided this information in the form of the percentage self-declarations received out of the total self-declarations asked. Different suppliers obtained different responses, ranging from as low as 17% to as high as 100% (meaning all the CC sellers sent the self-declaration). It is to be noted however that CC sellers were not verified further if the self-declarations sent by CC sellers by testing of the commodity chemicals. This was out of scope for this case study.
2. **Difficulty in obtaining the information:** 9 of 10 participating suppliers reported that obtaining the needed information was not difficult.
3. **Time and effort to get the information:** Obtaining self-declarations was a lengthy process requiring multiple reminders to the CC seller. Suppliers shared the following reasons for delays in obtaining such information: lethargy from the CC seller's side, complications in the CC seller's supply chain, and lack of knowledge within the CC seller community.
4. **Learning experience:** Suppliers stated that their interaction with CC sellers on self-declarations gave them insights into commodity chemicals, which helped them mitigate the risk associated with them.

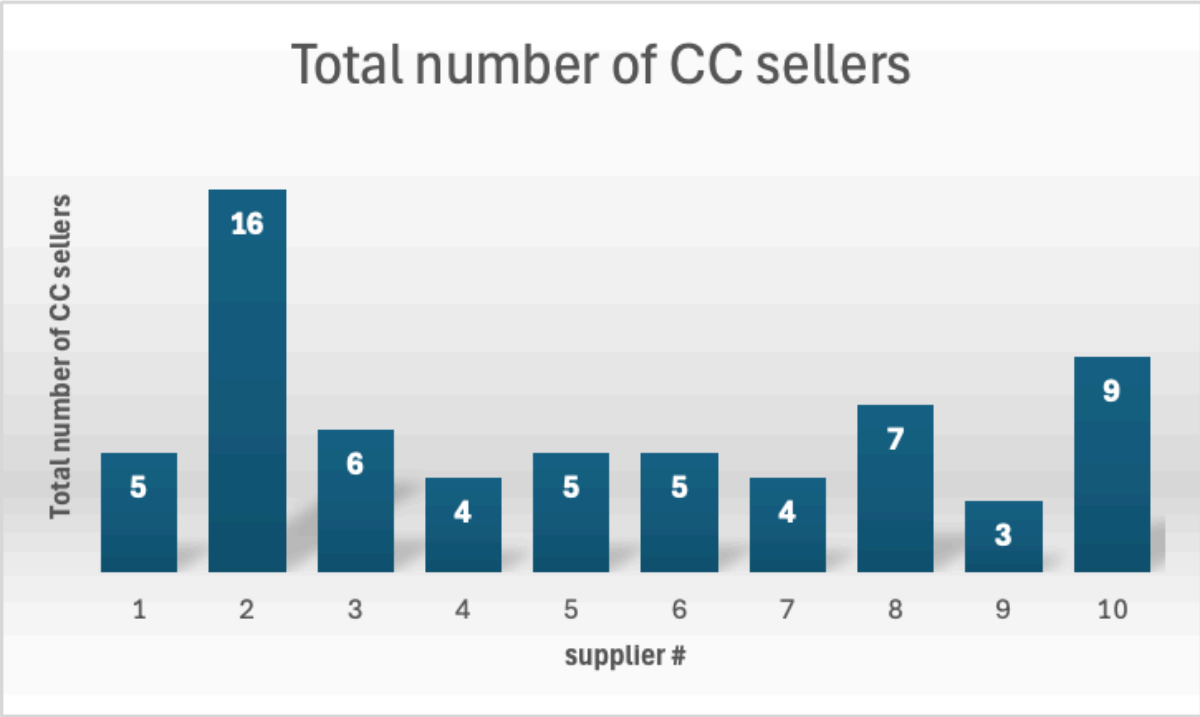
We did not see any regional differences in challenges faced by suppliers in terms of obtaining information provided by CC sellers, nor did the number of CC sellers used by the suppliers play an essential role. This indicates that the challenges observed here are universal and not regional. This finding indicates that suppliers must push their CC sellers to obtain the self-declaration. This could be improved if CC sellers were educated about the ZDHC MRS L and the Roadmap to Zero Programme.

### Statistics of commodity chemical sellers:

Based on the data received, an average supplier sources 17 commodity chemicals at a given time from 7 different CC sellers. Thus on an average, a supplier sources approximately three commodity chemicals from one CC seller.

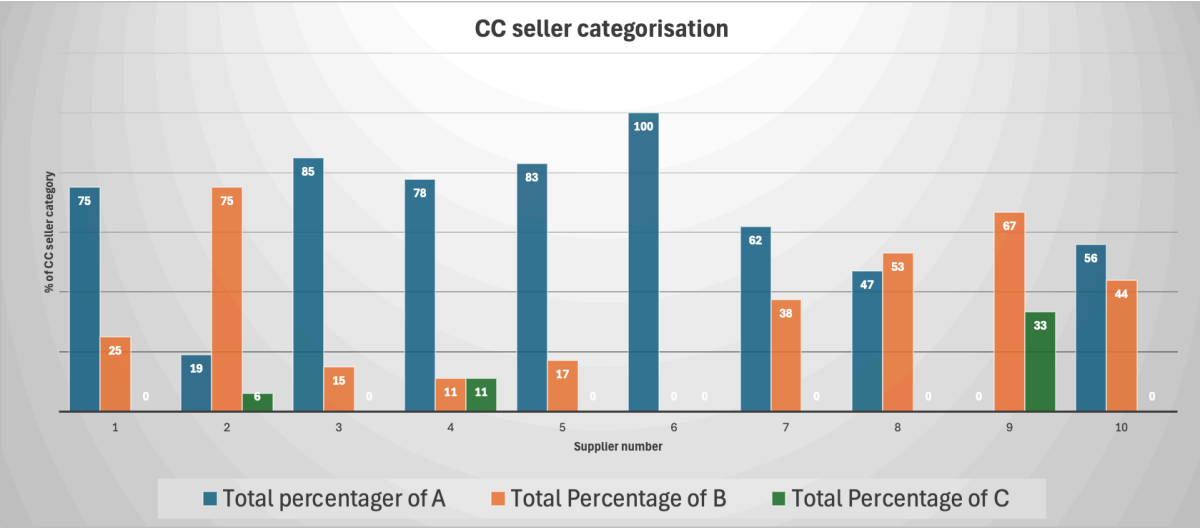
The data submitted by suppliers shows approximately 4 to 16 CC sellers per supplier, whereas the number of commodity chemicals may range from 10 to 31. This indicates that the number of CC sellers can vary from supplier to supplier. We also observed that the same commodity chemicals can be obtained by multiple CC sellers and the same CC seller can provide multiple commodity chemicals. Suppliers in different industry sectors may have more or fewer CC sellers. However, as we could not engage with many footwear suppliers in this case study, we cannot be definitive about this.





**Statistics on CC-seller categorisation:**

Among the submitted responses, it was observed that, on average, 61% of suppliers' CC sellers fall within Category A, whereas 33% (on average) fall within Category B. Category C CC sellers are about 6% on average. However, it is worth noting that individual suppliers can source as much as 75% (based on the data received) from Category B. It is also important to note that in the supplier's evaluation obtained during this case study, we observed that category C of CC sellers are smaller compared to the other two categories.



## Recommendations

During the process, it was observed that certain clarifications are needed to implement the ZDHC Commodity Chemicals Guide:

1. Although the guide mentions evaluating the CC seller individually, there is no clarity about the same commodity chemical purchased by different CC sellers.
2. We must empower suppliers to obtain self-declaration, as this step is crucial and time-consuming. Suppliers need to communicate with CC sellers before they send out the self-declarations. A quick/small interview to explain the need and impact of such work on suppliers' compliance (e.g. ZDHC ClearStream compliance and the impact that commodity chemicals may have on it) needs to be explained.
3. We also identified the need for training for the CC sellers. We will address these needs through ZDHC Academy modules.

## Conclusion

- The case study has successfully provided valuable insights into the practices of commodity chemical purchases, the challenges in gathering self-declarations, preparing a commodity chemicals CIL and evaluating commodity chemical sellers.
- The overall steps are not necessarily complicated, but obtaining the information (such as self-declarations, SDSs and other technical details) was time-consuming and lengthy. Therefore, suppliers needed more time (not physical effort) to obtain the required information.
- It was also observed that implementing the ZDHC Commodity Chemicals Guide V1.0 through suppliers increases their knowledge about their purchases and connects the CC sellers and the suppliers. This enables suppliers to make informed decisions about their commodity chemicals purchases and risk mitigation.
- This will further aid suppliers in reducing the risk of non-compliance with ClearStream Reports that may otherwise occur due to commodity chemicals.
- Conducting this case study reveals that commodity chemical sellers need further upskilling about the ZDHC MRSL. Based on the empirical observations and feedback received from the suppliers, we will prepare a strategy for achieving this in the future.

## Acknowledgements

We sincerely thank all the participating facilities for their invaluable cooperation and commitment throughout this case study. Their willingness to engage in this process, provide detailed insights and share critical data has been instrumental in advancing our understanding of sustainable chemical management practices within the industry.