

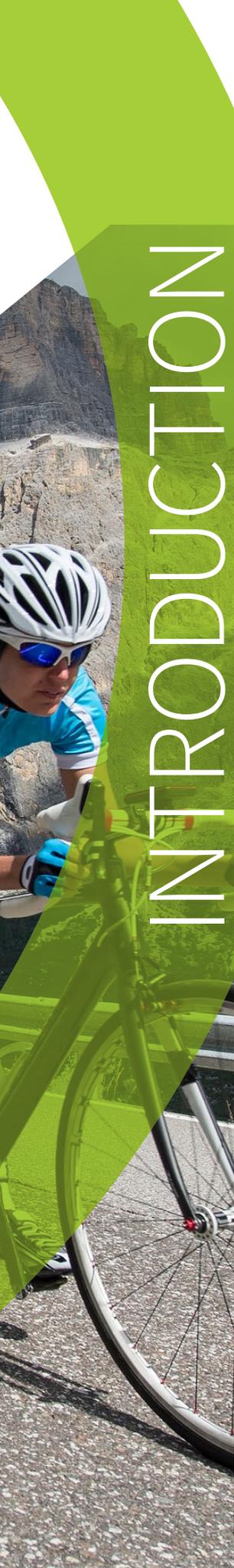


2016

COVERING ALL BASES

THE WORLD FEDERATION OF THE SPORTING
GOODS INDUSTRY AND CHEMICAL SAFETY





INTRODUCTION

The World Federation of the Sporting Goods Industry (WFSGI) is the global authoritative body for the sporting goods industry. Our members include sporting goods brands, manufacturers, suppliers, retailers, national/regional federations, industry and trade associations and other sporting goods industry related businesses.

The WFSGI plays an important role as a resource for its members and as a platform for sharing best practice. We work to understand emerging and ongoing issues of relevance, assist our members to stay current with those developments, and advocate for appropriate laws and practices.

EXECUTIVE SUMMARY

There has been a steady increase in both regulation and voluntary initiatives aimed at promoting the safe and responsible use of chemicals in manufacturing. These developments – coupled with the growing risks of further regulatory changes, consumer action, campaigns, fines and product recalls – create a compelling set of motivators for companies to ensure that the chemicals used in their products are safe.

Nonetheless, driving improvements and higher standards in chemical safety presents challenges for our members, from the cost and availability of less harmful chemicals to monitoring suppliers' compliance. Moreover, many companies do not have direct relationships or influencing capacity beyond their immediate suppliers, and there are also significant discrepancies in knowledge and capability across the manufacturing supply chain.

For these reasons, the WFSGI supports the development of consistent, science-based standards for chemical safety across the industry, and believes that this is an issue that demands a collaborative approach and the sharing of experiences as well as best practice. Above and beyond meeting legal requirements in their countries of operation, we believe that each company should seek to follow current best practice and take responsibility for what is within its sphere of influence. We are committed to supporting our members and directing them to other relevant sources of expertise and guidance.

The purpose of this paper is to provide WFSGI members and others with an overview of regulation and voluntary initiatives pertaining to chemical safety in product manufacture, to outline our view of the challenges and benefits of taking a responsible approach to this issue, and to explain how we can support our members.

CONTEXT

Regulation around the use of chemicals in product manufacture has increased in several markets in which our members operate, complemented by a range of voluntary initiatives. Both regulatory and voluntary approaches are aimed at protecting the environment, workers and consumers by eliminating hazardous substances and promoting the development of common standards.

EVOLVING REGULATION

There are no universal regulations governing the use of chemicals in manufacturing. Different countries – and, in the case of the US, even different states – have their own standards, some more exacting than others. This section summarises some of the most common regulations.

One of the most widely applicable directives is **REACH**, a European regulation concerning the registration, evaluation, authorisation and restriction of chemicals. REACH replaced a number of European regulations with a single system, and addresses the production and use of chemicals and their potential impacts on human health and the environment.

Many Asian countries have reviewed their chemical policies and regulations and adopted national frameworks using REACH as a basis. These include China and South Korea, whose '**China REACH**' and '**Korea REACH**' regulations came into force in 2010 and 2015 respectively.

A range of regulations applies across the US, of which the best known is **Proposition 65** in California. This requires the state to publish a list of chemicals known to cause cancer or reproductive harm, and businesses to warn consumers about the presence of these chemicals in the products they manufacture. It also prohibits businesses from knowingly discharging significant amounts of listed chemicals into the state's sources of drinking water.

As an example of how chemicals have been regulated as part of consumer safety legislation, the **Consumer Product Safety and Improvement Act** (CPSIA) has been in force in the US since 2008 – a consumer product safety law that, among other things, bans the use of phthalates in children's toys, including toy versions of sporting goods.

Regulations have been accompanied in some cases by stringent sanctions for non-compliance. As well as fines, Norway and Brazil have added imprisonment to the list of potential penalties, and in Brazil this can extend to retailers as well as producers and importers.

VOLUNTARY INITIATIVES

The last decade has also seen the emergence of several voluntary, collaborative initiatives, reflecting a growing recognition that chemical safety is a shared challenge on which the industry should work together.

Two such initiatives are **AFIRM** (Apparel & Footwear International RSL Management Group) and **ZDHC** (Zero Discharge of Hazardous Chemicals), both of which aim to reduce the use and impact of harmful chemicals in the apparel and footwear supply chain. Each represents leading brands, which are seeking to drive change by collaborating and improving the consistency of standards.

ZDHC has been developing tools that help manage chemicals 'from end to end', including a manufacturing restricted substances list (MRSL) that sets limits on chemical formulations in manufacturing. ZDHC issued audit procedures to inspect factory on-site chemical management. AFIRM has primarily focused on the product safety perspective and has compiled a restricted substances list (RSL) that focuses on materials, components and on the finished materials and product.

Technical solutions are also emerging, with **bluesign technologies** regarded as the leading provider of chemical assessment tools in the textile industry. The bluesign® system – which screens chemical inputs at manufacturing stage – is aimed at promoting effective management of restricted substances, and using bluesign® certified chemicals enables companies to meet limits set forth in the AFIRM RSL and the ZDHC MRSL. For example, the adidas Group's partnership with bluesign technologies requires its suppliers to use bluesign® approved chemicals as much as possible and gives them access to the bluesign® bluefinder – a database that contains information on sustainable textile chemistry for production processes.

DRIVERS AND CHALLENGES

The increase in legislation and voluntary initiatives aimed at improving chemical safety across the entire supply chain – along with the potential for future regulatory changes – are powerful motivators for companies to put more focus on this issue and drive improvements, along with a number of other key factors.

The most compelling reason to take a responsible and proactive approach to the use of chemicals in the sporting goods supply chain is that the industry has a moral obligation to protect its consumers, both professional and leisure – especially where regulations are poorly enforced.

It also contributes to avoiding the costs of consumer action, campaigns, fines and product recalls, and to protecting the reputation of companies and the industry. Moreover, in an era of increasingly rapid product development and innovation, especially in specialist and competitive sports, it is more important than ever to ensure that safety standards are able to keep pace.

Increased awareness of, and concern about, the downstream environmental impact of chemicals entering the water supply at material production phase makes the environment another important factor to consider.

Historically, environmental regulations in sourcing countries have often been poorly enforced. However, initiatives such as the IPE China Pollution Map Database – a public information resource on regional pollution status – and action by the Indian government to close polluting tanneries demonstrate growing concern about the activities of manufacturing facilities and increased diligence in some places to address breaches of environmental regulations.

CHALLENGES FOR OUR MEMBERS

Despite these compelling factors, and widespread commitment across the industry to reduce the use of harmful chemicals in product manufacture, putting intentions into practice carries with it a number of challenges.

First and foremost, the cost and availability of alternative, less harmful chemicals can be a barrier, particularly for smaller manufacturers. For brands, meanwhile, it is expensive to police their suppliers' compliance with safety standards.

The lack of visibility throughout the supply chain – and in particular the fact that many brands and manufacturers do not

have a direct relationship with vendors beyond their direct suppliers – can also create a barrier to progress and make it difficult to obtain information about initial inputs.

Furthermore, many of our brand members may not always represent a significant enough proportion of sales to elicit the full engagement and co-operation of suppliers, and smaller companies in particular may lack both influencing capacity and resource to dedicate to it.

Inconsistency and variation is a further challenge, not least the issue of uneven capability across the supply chain. While some suppliers are well versed in chemical management, not all have the same level of knowledge and capacity. Meanwhile, discrepancies and inconsistencies in regulation and enforcement between regions present challenges for both brands and suppliers that operate across multiple markets.



WHAT WE THINK

We believe that the industry's main priority when it comes to chemicals management is to protect consumers and the environment by reducing the potential harm caused by chemicals used in the manufacture of sporting goods, and by ensuring that all products meet high standards.

To achieve this, it is vital that all our members take responsibility for what lies in their sphere of influence. Manufacturers and brands need to do everything possible to ensure that there are no restricted substances in their products or released into the environment above specified limits, and work progressively to move towards less harmful substances. The main responsibility for retailers is to convey accurate information and advice to the consumer to ensure that people buy suitable products.

We encourage those members that are larger, more advanced, or able to exert more influence, to demonstrate leadership. This could include taking the lead in addressing emerging issues of concern, as well as sharing information and analysis, which would benefit the whole industry and galvanise progress.

The WFSGI supports the implementation of consistent, science-based standards across the industry, and believes that this would be advantageous to all members of the supply chain, as well as to workers, communities and the end consumer.

We also believe that the issue of chemical safety is one that demands true collaboration across the industry. This is not an issue on which companies should compete; the challenges are shared and it is to everyone's benefit for the industry to work together, support each other and speak with a unified voice. Standardised solutions applied in the industry generate greater reach, leverage and impact.

UNDERSTANDING THE BENEFITS

While some of these actions may appear demanding, we believe the benefits are substantial. Ensuring that the products and manufacturing processes of our industry are as safe and benign as possible is clearly of paramount importance to consumers and the environment. It also reduces both the cost and reputational risk faced by companies through enhancing their ability to avoid fines, product recalls, land decontamination and consumer action.

Working together as an industry to address this issue and establishing common standards also carries benefits, not least that of achieving efficiencies and cost reductions through the creation of common platforms and codes of conduct. Moreover, opportunities for all companies to export to other markets are expanded if they all manufacture consistently to a single standard.

SUPPORTING OUR MEMBERS

The WFSGI operates a dedicated CR helpdesk, which can answer questions concerning product safety and restricted substances. However, among our membership we represent companies at every stage in the supply chain, with different challenges, levels of resources and degrees of expertise. For this reason, for specialist topics such as product safety, we believe we can best serve our members through operating as a 'directory' to help them obtain appropriate expertise and guidance from relevant specialist organisations, rather than duplicating existing services.

More broadly, the WFSGI also provides a range of valuable information and advisory services to assist its members with their reporting and other CR challenges. These include:

- Ad-hoc support to members through the CR Helpdesk;
- Alerting members on important legal developments and regulatory changes;
- Guidance and direction on CR developments and best practices.

A further benefit of WFSGI membership is the support available from other members. The network offers the scope for smaller forums of member companies to support each other on reporting and other common challenges, and for larger organisations to mentor comparable smaller companies.

CASE STUDY: OVERCOMING CHALLENGES – SPECIALIZED

Bicycle and accessory manufacturer Specialized has extensive experience of the impact of tightening legislation around the use of chemicals in manufacturing and final products, as well as of the challenges of operating in multiple markets with different laws.

While increasing and disparate legislation makes sustained compliance a challenge for companies, Specialized is also well aware of the risks associated with failing to comply with emerging legislation – from product recall to cost and reputation – and of the consequent importance of being able to respond promptly to prospective changes.

STAYING AHEAD

To minimise risk and maximise its ability to adhere to new legislation, Specialized has developed a robust process for the increasingly frequent instances when the safety of a chemical substance is called into question.

This begins with identifying all materials in its production processes that might contain this substance, as well as the products that use these materials. The next step is to engage the suppliers of the relevant materials and to test the materials for evidence of the restricted substance. If the substance is found, Specialized then works with the supplier to identify a suitable alternative.

While the process might sound straightforward, in reality it can be challenging to identify an alternative material that contains equivalent properties to the one that needs to be replaced. There is also the challenge of lead times; if a potential safety concern comes to light late in a production schedule, workers may be forced into overtime to meet deadlines.

For these reasons, Specialized participates in a range of industry groups and associations to ensure early awareness of prospective changes in legislation. These include the American Apparel & Footwear Association, the Outdoor Industry Association and the European Outdoor Group, each of which monitors upcoming issues on behalf of its members. Specialized also subscribes to newsletters from chemical testing companies, such as SGS and Intertek, to ensure timely knowledge of any substances that are going to be added to an RSL.

THE BPA EXAMPLE

When research indicated in 2015 that the synthetic organic compound BPA – which is widely used in a range of plastics – was potentially carcinogenic as well as being an endocrine disrupter, the US state of California legislated to restrict its use under Proposition 65 with France now considering following suit. Aware that a part for a new, high-end bicycle had the potential to include BPA, Specialized recognised the need to act quickly.

Following the process above, the relevant materials were tested and found to contain the restricted chemical. Working with the supplier, Specialized identified a substitute material, only to discover that the shrink rate of the new plastic was different from the original and that they needed to open new tooling in order to be able to use it. Fortunately, in this instance, the product's lead time was long enough to enable the company to resolve the issue and substitute the part in good time.



SUCCESS FACTORS

Specialized credits the successful resolution of this particular issue – and its ability to respond promptly and effectively in other, comparable situations – largely to its involvement in industry groups, which facilitated early notice of potential legislation. Indeed, this is likely to be of particular benefit to smaller members that lack the resources internally to monitor developments.

Along with fostering deep understanding and knowledge of manufacturing processes, Specialized also believes that developing agility across the supply chain and product management teams is key to enabling them to act quickly.

ONGOING DEVELOPMENTS & NEXT STEPS

As awareness of, and research into, the impact of chemicals on human health and the environment continues to expand, we expect to see further increases in regulation and minimum safety standards, as well as more consistent and aligned requirements between countries. We also anticipate a rise in financial penalties and consumer action aimed at companies that do not comply with these standards.

In view of the additional time, budget and resources that will be required to meet more stringent standards, we believe there will be a stronger drive for the development of consistent and shared standards across the industry to minimise the demands on chemical companies and vendors throughout the supply chain.

As companies come under growing pressure to demonstrate that they are using approved substances, we also expect to see the emergence of new service providers offering certification for chemicals.

SUMMARY AND CONCLUSION

The WFSGI provides a platform for sharing best practices and actively engages members in realising a CR vision grounded in shared values and principles. As an association, WFSGI is both a voice for the industry and a trusted advisor on CR and strategy issues for its members. We believe that members that take up and act on the advice and resources WFSGI offers will be the best positioned to respond and thrive in the face of emerging trends and evolving regulation over the coming years.

We appreciate the challenges of complexity, diversity and evolving context in which our members operate. However, we believe that companies must take seriously their responsibility not simply to meet minimum safety standards but to continually strive to remove harmful substances from their products – and that industry-wide collaboration is the most effective way to achieve this. As well as discharging a key responsibility and providing assurance to the consumer, taking these steps will – in our judgement – reduce cost and risk and create new opportunities.

As the voice of the industry, we will continue to monitor trends, build our understanding of emerging best practice, and support our members to make progress in this important area.

FURTHER INFORMATION

REACH

<http://www.hse.gov.uk/reach/index.htm>

China REACH

http://www.cirs-reach.com/China_Chemical_Regulation/IECSC_China_REACH_China_New_Chemical_Registration.html

Korea REACH

http://www.cirs-reach.com/KoreaTCCA/Korea_REACH_The_Act_on_the_Registration_and_Evaluation_of_Chemicals.html

Proposition 65

<http://oehha.ca.gov/prop65.html>

Consumer Product Safety and Improvement Act

<http://www.cpsc.gov/en/Regulations-Laws--Standards/Statutes/The-Consumer-Product-Safety-Improvement-Act/>

ZDHC

<http://www.roadmaptozero.com>

AFIRM

<http://www.afirm-group.com>

Bluesign technologies

<http://www.bluesign.com>



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