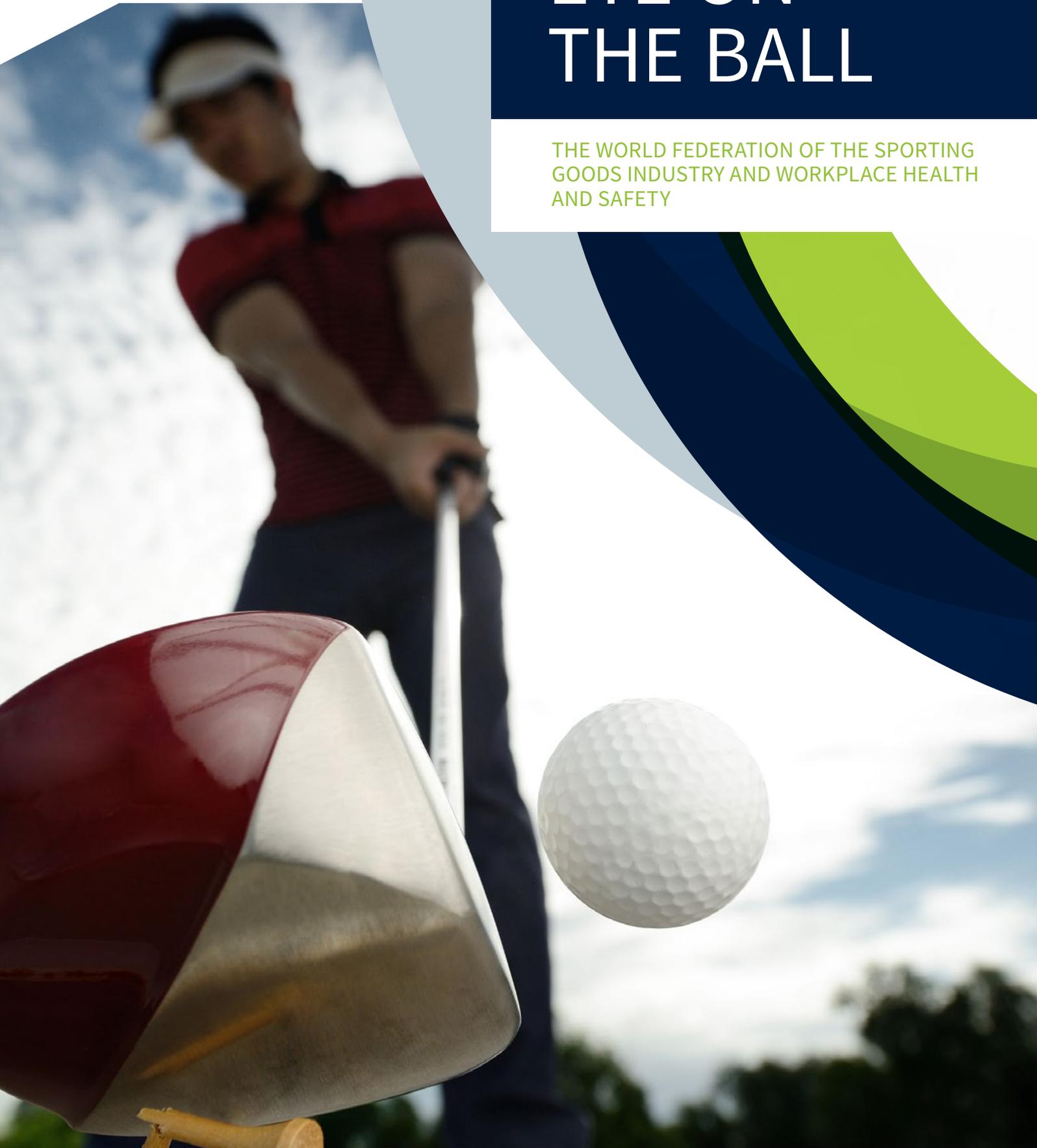




2016

EYE ON THE BALL

THE WORLD FEDERATION OF THE SPORTING GOODS INDUSTRY AND WORKPLACE HEALTH AND 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

Health and safety in the sporting goods industry is a critical issue that affects – and is affected by – every individual throughout the supply chain, in particular those who work in factories. Workplace health and safety has gained public attention in recent years through a combination of NGO campaigns, media coverage and some high profile factory accidents.

There are many sources of health and safety risk that may affect workers in factories, and it is vital that the industry attends both to ‘traditional’ health and safety issues and to potential risks arising from new ways of working. A number of initiatives exist to help organisations implement and enforce high standards.

There is widespread recognition that our members have a moral duty to take health and safety issues seriously and that there are good business reasons to do so, from promoting worker retention and productivity to protecting reputations and avoiding stringent sanctions. Putting intentions into practice still presents challenges, not least the fact that it takes time and investment to understand and manage the root causes of health and safety issues. Moreover, the emphasis factory management places on productivity can prevent health and safety issues from being given the priority they demand.

Nonetheless, the WFSGI believes that health and safety is a fundamental issue for members to get right. Our Code of Conduct obligates members and their suppliers to provide a safe and healthy working environment, and sets out in detail what this entails. We believe that all members have both the responsibility and the opportunity to exert a positive influence and to promote a management culture that respects and prioritises safe working practices. Moreover, this is an industry-wide challenge on which members should support each other and work together.

The purpose of this paper is to provide WFSGI members and others with an overview of the context that has given rise to the increased focus on health and safety, including the emergence of new initiatives to tackle the issue. It also covers our view of the challenges and benefits associated with taking a responsible approach and how we can support our members.

CONTEXT

Health and safety is arguably the most fundamental challenge faced by the sporting goods industry. It affects every individual working in a factory and – with failings in this area increasingly coming to the public’s attention – it has become a central topic of concern for and about the industry.

There are many sources of health and safety risk that may affect workers in factories. These include building, fire and electrical safety; manual handling and the use of machinery; and the handling and storage of chemical and hazardous materials. While the increased automation of manufacturing has alleviated some hazards, it has exacerbated others – most notably by facilitating 24-hour working, which can give rise to negative health impacts for those who regularly work at night.

Despite these risks, safety standards vary considerably between the countries in which our members operate. Even where regulations do exist, enforcement and awareness are often low. It is thus all the more important that our industry remains alert both to ‘traditional’ health and safety issues and to potential risks arising from new ways of working, and that our members are committed to high standards and to promoting a strong safety culture.

The increased focus on factory health and safety we have seen in recent years has been driven largely by NGO campaigns and media coverage. This has been compounded by some high profile factory accidents – the most notable being the collapse of the Rana Plaza factory building in Bangladesh in 2013.

The human cost of this tragic accident was substantial, with more than 1,100 workers losing their lives. It also raised the stakes for manufacturers and brands, as 41 people – including the owners of the building and the five factories within it – were charged with murder following the disaster. The financial repercussions were significant: dozens of apparel companies – including some that did not source from Rana Plaza – faced demands to pay compensation to victims’ families.

REGULATION & VOLUNTARY INITIATIVES

At a basic level, manufacturers are obliged to comply with minimum legal standards in their country of operation. Most brands also have their own codes of conduct that their suppliers will be expected to adhere to – and, in the event that the code is more exacting than the legal minimum, they will be expected to meet the higher standard.



In addition, a range of legally binding and voluntary initiatives have emerged in recent years, aimed at raising standards and reflecting growing consensus about the need for businesses to take health and safety issues more seriously:

- The **Bangladesh Accord on Fire and Building Safety** is an agreement between brands and trade unions to work towards a safe and healthy Bangladeshi garment industry. It has been signed by over 200 brands, retailers and importers from over 20 countries, and several trade unions. The US-based **Alliance for Bangladesh Worker Safety** also aims to hold members and their factories accountable for improving safety in Bangladeshi garment factories.
- Established by the International Labour Organization and International Finance Corporation, the **Better Work** initiative aims to improve workers’ lives and secure safe, clean working environments by building strong relationships with workplace managers and workers.
- The **Fair Factories Clearinghouse** (FFC) is a membership organisation aimed at facilitating ethical business decisions and helping companies improve workplace conditions. Its web-based tool enables members to track their suppliers’ compliance with various workplace criteria and to identify the key health and safety issues they face.
- Based in North America, the **Fair Labor Association** is a cross-sector initiative of socially responsible companies, colleges and universities, and civil society organisations. It advocates for greater accountability from companies with global supply chains, as does the UK-based **Ethical Trading Initiative**. Both organisations offer resources and training to companies to tackle abusive labour practices.

DRIVERS AND CHALLENGES

The potential for health and safety failings to result in death or serious injury is the most compelling reason for members to take this issue seriously. Workers have a right to a safe workplace – and all companies in our industry have a moral obligation to ensure the safety of workers throughout the supply chain.

Factories face many different health and safety risks and rely on the proper and effective use of a range of machinery. If machines are poorly maintained, or are not operated properly, workers' safety is put at risk. Minimising such risks requires ongoing attention. The fact that any health and safety failure results in a loss of productivity also means there is a clear business imperative to enforce high standards.

Given the high exposure of well known brands, there is also an increasingly significant risk to companies' reputations if they are found – or even perceived – to take an irresponsible approach to workers' safety. All companies are expected to exercise increasingly thorough due diligence in their business activities, and in recent years the apparel industry has come under particularly intense scrutiny from NGOs and campaigners.

The growth in both voluntary and legally binding health and safety commitments to which companies are subject is another important driver, along with the fact that companies – and even individuals within them – are now subject to increasingly stringent sanctions for failures and non-compliances.



CHALLENGES FOR OUR MEMBERS

Members seeking to take a responsible approach to this issue still face a range of challenges, not least the fact that – for companies at all stages of the supply chain – understanding and addressing the root causes of health and safety issues takes time, and requires a long-term perspective and strong management commitment.

The global nature of modern supply chains, and the fact that safety standards vary substantially from country to country, is another factor. Furthermore, awareness of the regulations that do exist is often low, and laws are not always consistently enforced.

A common experience across the industry is that the way factories operate, and the pressures they are under, can prevent health and safety issues from being given the precedence they demand. Genuine commitment from senior management is vital, but is not always easy to obtain. From the factory manager's point of view, speed of production may take priority and it is often the case that no one fully understands what is required or has the mandate or authority to ensure that health and safety issues are taken seriously. In addition – while many factories welcome guidance from brands on making improvements – some of these do not have the capacity, expertise or tools to implement and enforce good practices. Many would consider it too expensive to send workers on a training programme or spend money on upgrading a piece of equipment.

Worker awareness and empowerment is a related challenge, as factory workers who do not receive appropriate training on health and safety risks are less likely to make sound, safe decisions or follow correct practice. Moreover, in workplaces that do not have a strong management culture of safety, workers may be reluctant to raise health and safety concerns or may lack the means or opportunity to do so.

For brands that are keen to engage with their suppliers and promote good health and safety practices, it takes time to build relationships, understand their suppliers' context, convey information and help to change habits. Moreover, supply chains are getting longer and more opaque, and a single brand may source from several hundred suppliers. Brands therefore have to prioritise – often concentrating their efforts on first-tier suppliers where they have direct influence and existing relationships.

WHAT WE THINK

We believe that health and safety is one of the most fundamental issues for our members to get right. All companies have a duty to protect their workers – and it starts with genuine commitment and proper investment.

The WFSGI Code of Conduct guides members in the standards and practices expected in the workplaces they operate or contract from. It includes a provision that members and their suppliers must provide a safe and healthy workplace, and outlines what this entails.

We believe that all members are responsible for meeting this requirement, and that health and safety is an issue on which members should seek to support, and learn from, each other. Taking a collaborative approach carries a number of benefits, including enhanced collective leverage, efficiencies and cost reductions.

Brands and manufacturers also have specific responsibilities. For manufacturers, the starting point is securing management commitment and appointing someone to oversee health and safety, ensuring they receive the necessary training and authority to discharge their role. Factory managers must also ensure their workers receive training to build their awareness of key hazards. Furthermore, they should conduct regular risk assessments and track safety incidents and 'near misses', to improve their understanding of where the key risks lie.

We also urge manufacturers to review their performance measures, and consider whether the way in which they pay their workers incentivises good practice or encourages workers to circumvent safety standards in order to maximise production.

Brands also have an important role in encouraging their suppliers to foster a culture of safety and supporting factory managers to resolve identified issues. Where necessary, brands should train their suppliers on specific topics and support them to improve their own capacity to understand, manage and mitigate health and safety risks. They should also ensure that workers in their supply chains have access to a whistleblowing system through which they can raise issues of concern.

BENEFITS OF TACKLING THE ISSUE

The benefits of taking a responsible approach to health and safety are substantial. Above all, assurance of a safe, healthy workplace is a basic human right, and it is vital that the goods that enable participation in sport are produced in a way that

respects the welfare of the people who make them.

Ensuring workers remain safe and healthy also promotes worker retention, enhances productivity and reduces lost time. It minimises both the cost and reputational risk companies face by enabling them to avoid fines and other sanctions

SUPPORTING OUR MEMBERS

As the representative body for the sporting goods industry, we are keen to support and assist our members to navigate this challenging topic. This could include convening a process to facilitate shared understanding and collective action between manufacturers and brands.

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.

HEALTH & SAFETY GUIDELINES – THE KEY AREAS TO CONSIDER:

- Management system
- Building, fire & electrical safety
- Machinery safety & noise
- Personal Protective Equipment
- Sanitation & hygiene
- First Aid
- Dormitory facilities
- Staff training
- Worker rights, including whistleblowing, freedom of association and collective bargaining

CASE STUDY: JOINING FORCES TO IMPROVE HEALTH AND SAFETY - MEC AND THE FAIR FACTORIES CLEARINGHOUSE

Canada-based WFSGI member Mountain Equipment Co-op (MEC) is committed to promoting responsible health and safety practices throughout its supply chain by conducting regular audits of its suppliers, as well as prioritising appropriate follow up, trainings and capacity building programmes. The company believes that joining forces with other companies to achieve this brings a range of benefits.

OVERCOMING THE CHALLENGE

To help meet the challenge of promoting good health and safety practice throughout its many factories, MEC is a member of the Fair Factories Clearinghouse (FFC) – a membership organisation whose mission is to facilitate informed ethical business decisions and to help companies improve workplace conditions for a better and more livable world.

The FFC offers a secure, web-based tool for its members to track their suppliers' workplace conditions. Its members can download and customise audit questionnaires, carry out assessments of their suppliers and upload the results. The FFC houses data on noncompliance and corrective actions for over 40,000 workplaces.

Data is uploaded into the FFC's supply chain management platform, which allows members to access the results of audits carried out by other companies and to identify other organisations that use the same factories (assuming they have not chosen to remain anonymous). This collaboration environment is made possible by a business review letter from the US Department of Justice that allows competitors to safely collaborate in this space, following strict antitrust guidelines. The platform also allows members to generate specific reports – enabling them, for example, to determine the key health and safety topics faced by the factories they source from or to identify all of their suppliers that are dealing with a specific issue.

THE BENEFITS

MEC derives a number of benefits from working with the FFC, not least the opportunity to collaborate with other brands. As well as reducing costs by eliminating the need for every brand to audit every factory, it allows members to identify areas of common concern and to address them collectively, thus increasing their leverage with suppliers. By enabling members to run reports identifying the key concerns within their own supply chains, it also helps them to prioritise training and capacity building opportunities for their factories.

For example, MEC was keen to conduct training on health and safety issues with its bicycle supply chain, and used the FFC tool to identify and prioritise those sourcing countries with the most urgent health and safety challenges. The tool also enabled them to identify other companies that use the same facilities, and led to MEC partnering with one of them – and a third-party trainer – to deliver bespoke training.

Achieving this isn't without its challenges, as it can take time and persistence to obtain buy-in on the part of the factory managers to conduct a training programme. In MEC's experience, though, it is worth the effort.

SUCCESS FACTORS

Despite the benefits of the FFC audit tool, its success in leading to better health and safety practices – and other working conditions – over the long term depends on regular and appropriate follow-up. MEC travels throughout the year to visit factory partners (tier 1 and some tier 2). When arranging trips, they focus on meeting with factories who have attended recent trainings to reinforce the messages, and factories with recent audits to evaluate improvements and ensure good practices are being maintained. The company considers this – along with achieving as much buy-in as possible from across the factory – to be a critical success factor.

This data, too, is entered into the FFC database for other companies to access if the members choose to do so. Collaboration and sharing of data is an optional but powerful feature of the FFC platform.

ONGOING DEVELOPMENTS & NEXT STEPS

Against a backdrop of tighter regulation, increased public scrutiny and more stringent sanctions, we anticipate a progressively stronger commitment to good workplace health and safety practice throughout the supply chain in the years ahead. Given the additional time commitment this requires, we also expect to see more collaboration and sharing of information between companies – especially between brands that use the same factories – in order to minimise the burden and increase leverage.

As brands engage more closely with their manufacturing partners, we expect factory managers to become more professional in their approach to health and safety management and better equipped to take ownership of the issues for themselves.

Indeed, some manufacturers are already demonstrating more mature approaches, including China-based textile manufacturer Huafeng Group. The company's proactive focus on identifying new, less harmful technologies for its manufacturing processes resulted in its development of a water-based 'Haptic' coating for its screen printing operations. This is safer than traditional, solvent-based products, both for the workers who handle the substances and for the end consumer.

Moreover, as well as enabling the company to comply with increasingly stringent standards for chemical safety, Huafeng sees this as a good business opportunity as it is in line with the strategies of many of its customers to manage and mitigate environmental, health and safety risks.

Health and safety will always be an issue that requires continual focus and investment, as even small mistakes or oversights can result in a catastrophic failure. Our members need to remain vigilant to both existing and potential new sources of risks.

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 to provide a safe, healthy environment for their workers. A management systems approach that prioritises creating a culture of safety and empowering workers to make informed decisions is the best way to deliver this. Doing so will promote worker retention and productivity as well as protecting their reputation. We also believe that industry-wide collaboration has an important role to play.

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

Bangladesh Accord on Fire and Building Safety
www.bangladeshaccord.org

Alliance for Bangladesh Worker Safety
www.bangladeshworkersafety.org

Better Work
www.betterwork.org

Fair Factories Clearinghouse
www.fairfactories.org

Fair Labor Association
www.fairlabor.org

Ethical Trade Initiative
www.ethicaltrade.org/



WFSGI – WORLD FEDERATION OF THE SPORTING GOODS INDUSTRY

Obere Zollgasse 75,
P.O.Box 1664, 3072
Ostermundigen/Bern, Switzerland

23B, Greenbelt Court
Discovery Bay, Lantau Island
NT, Hong Kong

Phone +41 31 939 60 61

Fax +41 31 93960 69

www.wfsgi.org

DISCLAIMER:

ALL STATEMENTS AND EXPLANATIONS GIVEN IN THIS POSITION PAPER ARE FOR INFORMATIONAL AND GUIDANCE PURPOSES ONLY AND NOT FOR THE PURPOSE OF PROVIDING LEGAL ADVICE AND SHOULD NOT BE RELIED ON AS SUCH. WHILE WE HOPE AND BELIEVE THE INFORMATION WILL BE HELPFUL, WE DO NOT WARRANT THAT THE INFORMATION IS ACCURATE AND/OR COMPLETE IN ALL RESPECTS. RESPONSIBILITY FOR THE INFORMATION AND VIEWS SET OUT IN THE CASE STUDY IN THIS POSITION PAPER LIES ENTIRELY WITH THE AUTHORS.

THIS POSITION PAPER IS ONLY FURNISHED FOR THE GENERAL INFORMATION AND GUIDANCE PURPOSE FOR WFSGI MEMBER COMPANIES. IT DOES NOT CONSTITUTE ANY DIRECTIVES TO WFSGI MEMBERS, NOR SHOULD IT BE RELIED UPON FOR COUNTING RESPONSIBLE ANY WFSGI MEMBER COMPANIES. IT DOES ALSO NOT CONSTITUTE THE PRACTICE OR POLICIES OF WFSGI MEMBER COMPANIES. NEITHER THE WFSGI NOR ANY OF ITS MEMBER COMPANIES MAY BE HELD RESPONSIBLE FOR NOT COMPLYING WITH ANY INFORMATION PROVIDED IN THIS POSITION PAPER.