



2015

# RULES OF THE GAME

THE WORLD FEDERATION OF THE SPORTING GOODS INDUSTRY CODE OF CONDUCT



# 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.**

In our strategic role in the support and promotion of the sporting goods industry worldwide, we:

- Provide a platform for our members to collaborate on initiatives to increase participation in sports, so that the well-being of humankind is improved through sporting activity;
- Keep our members updated on relevant changes to laws, regulations and international accords, e.g., on product safety, standardisation or working conditions;
- Act as the voice of the sporting goods industry toward organisations and federations, governmental and intergovernmental bodies at the international level as well as international sport organisations.

The ideals of the WFSGI are the ideals of sport, and we seek to promote fairness, honesty, mutual understanding and high ethical standards not only on the sports field but also among all the stakeholders involved in the sporting goods industry. WFSGI members recognize the important role they play in the global economy and their influence on the social and economic conditions under which sporting goods are manufactured and produced. That influence is exercised both through their actions as employers and far more profoundly through their decisions as customers of companies that serve as suppliers of goods and services.

The relationship between WFSGI member companies and their suppliers, and in turn any subcontractors involved in the production process, must be based on trust, mutual respect and common values. WFSGI is committed to fostering a sports industry in which member companies actively build business partnerships with those who share the values of sport and take responsibility for making the values real through active engagement.

A key feature of WFSGI membership is commitment to a business CODE OF CONDUCT. The WFSGI Code was designed as a model for companies committed to ensuring that their operations satisfy high ethical standards in the global marketplace. Many member companies have introduced their own codes and are monitoring compliance with those codes using internal and external monitors. Several members have also adopted the code of conduct published by the Business Social Compliance Initiative (BSCI) or are participating members in Multi-Stakeholder Initiatives like the Fair Labor Association, the Ethical Trading Initiative or the Fair Wear Foundation, or SEDEX (Supplier Ethical Data Exchange).

Stakeholders like political institutions and advocacy groups are demanding ever higher standards for business conduct and are seeking more transparency in reporting for businesses at all levels of the supply chain – not just consumer facing brands and their immediate suppliers. These stakeholders are monitoring industry leaders' progress at voluntarily raising business standards and effectively addressing some of the persistent and complex labour, safety and environmental challenges in the manufacture of sporting goods. Brands in particular are in the spotlight and failure to meet stakeholder expectations does not go unnoticed.

The WFSGI plays an important role as a knowledge hub and resource for its members; it provides a platform for sharing best practices and actively engages members in realising a vision of corporate social responsibility (CSR) that is grounded in shared values and principles. The purpose of this paper is to articulate WFSGI's position on the adoption, implementation and monitoring of Code of Conduct by its members.



# OVERVIEW OF THE WFSGI CODE OF CONDUCT: ALIGNING TO INDUSTRY STANDARDS

**In the absence of a comprehensive, coordinated effort, companies tend to respond in an irregular, episodic manner to crises, disasters and other headline-grabbing incidents and the public scrutiny that follows in their wake. Responses tend to be reactive, and focus on single issues related to the recent problem or challenge.**

In the wake of the collapse of the Rana Plaza factory building in Dhaka, government and industry negotiated higher safety standards for factory buildings and invested in additional third party inspections. Revelations of child labour in football stitching around the globe led to tailored programs and monitoring systems to combat child labour.

Every small win is to be celebrated, but a strategic and comprehensive approach is required if we are to move beyond case-to-case solutions. The challenge is that the social and economic conditions under which sporting goods are manufactured and produced vary significantly by region; even within countries there is incredible diversity in industry sizes, sophistication, and stages of addressing issues of good business conduct. Even communicating consistently and credibly with regulators and stakeholders about the breadth, complexity and intertwined nature of persistent issues like poverty and pollution is a significant challenge, and beyond the reach of even large companies to undertake alone.

WFSGI's Code of Conduct provides a comprehensive and systematised view of the challenges inherent in this global industry with complex networks of suppliers and buyers, workers, brands, consumers, and regulators. This is especially important for smaller industry players like brands and suppliers that rely on outside support to research and develop programmes for responsible business operations.

Proper implementation of the Code of Conduct by all members is essential for the industry to make progress. The different sections, or Principles, of the Code of Conduct provide the foundation for a comprehensive approach that makes the difference between meeting minimum legal requirements and leading change in the face of complex and entrenched social and environmental issues.

These Principles are based on the international labour standards outlined in the relevant Conventions of the International Labour Organisation (ILO).

The comprehensive areas of concern covered by the code of conduct are:

- Legal Compliance
- Working Conditions
  - a. Forced Labour
  - b. Non-discrimination
  - c. Freedom of Association and Collective Bargaining
  - d. Wages
  - e. Hours of Work
  - f. Benefits and Leave
  - g. Child Labour
  - h. Health and Safety
  - i. Harrassment or Abuse
- Environment
- Community Involvement
- Company Specific Standards
- Verification
- Compliance

See the WFSGI model Code of Conduct at <http://www.wfsgi.org/about-us/organisation/code-of-conduct>



# OUR ACTIONS IN RESPONSE TO THE STATED CHALLENGES

**WFSGI has been successful in gaining commitment from members to adopt a Code of Conduct and take a proactive, comprehensive approach to CSR. However, there are several structural features of the industry that make compliance, verification, and monitoring a challenge. Overall, competitive economic pressures are in tension with oversight and regulation by government, consumer or voluntary industry programs.**

In the face of these challenges, the WFSGI is taking what we feel are the most important steps to help companies adhere to the Code of Conduct at the level of the entire industry, and in the form of direct support to member companies.

**CHALLENGE 1:** Company size is a barrier – smaller suppliers to major brands may lack the resources to make a significant invest in CSR programs. To this extent, partnership programs are essential and usually require support from a third party facilitator.

**ACTION 1:** WFSGI's manufacturer exchange program provides smaller manufacturers with mentorship from a comparable company. They gain insight into how leaders in their sector or region have been able to implement and sustain their own internal monitoring and compliance programs.

**CHALLENGE 2:** Governments with a high reliance on manufacturing exports have varying levels of willingness and ability to draft, implement and enforce progressive policy and regulations. Corruption is still endemic in some countries/industries even where regulations exist.

**ACTION 2:** We empower our members to take as much action as they can within the constraints of the operating context of the countries they are in. We alert our members on important legal developments and regulatory changes in the industry, so they can be "ahead of the curve" on emerging opportunities for change. Our regular CSR

Heads-Up newsletter provides updates on conferences and actions by leading non-profit and advocacy organisations, offers details about best practices, tracks emerging trends, and gives a summary of global CSR news.

**CHALLENGE 3:** In the relationship between brands and manufacturers, brands may defer responsibility for standards compliance to their suppliers without sufficiently including costs for compliance in their costing and pricing. Unfortunately it is difficult for B2B suppliers to accrue value from consumers with whom they do not have a direct relationship, so incentives for compliance are lacking.

**ACTION 3:** The WFSGI Pledge, part of the FIFA Quality Programme, verifies that FIFA licensed products – footballs, artificial turf and goal line technology systems – are produced under fair working conditions. WFSGI looks for opportunities to bring 'invisible' small players in the supply chain under the aegis of standards programs with the help of influential partners like FIFA. The WFSGI Pledge is a good tool to raise manufacturers' awareness of the value of social compliance and encourage them to take steps to improve the working conditions and overall social performance in their factories.

**CHALLENGE 4:** Consumer trends, at least in the wealthiest economies, are contradictory. While opinion surveys indicate that overall concern for environmental issues has gone up, consumer studies show that purchases motivated by sustainability or ethical considerations are actually declining.

**ACTION 4:** WFSGI supports our members through access to a network of peers, including an industry-wide CSR committee and also a Manufacturers Committee. In addition to the updates provided in the committee meetings, we publish the CSR Heads-Up newsletter and run a CSR Helpdesk. These various forums provide ample opportunity for information sharing among peers where industry-wide topics such as consumer concerns and level of interest in CSR can be addressed.



## INDUSTRY-LEVEL ACTIONS

WFSGI acts at an industry level to communicate about and support action on sector-wide issues, and specifically works to find solutions that take into consideration the challenges outlined on the previous page.

WFSGI provides support and expertise to other industry-wide efforts including:

- Providing expertise to groups developing and updating international labour standards;
- Convening multi-company action committees: e.g., a group of companies are working through WFSGI to pilot a reporting system. Once tested, this system will be available for any kind of SGI company to increase safety and improve working conditions in their supply chain;
- FIFA-Pledge System;
- [Fair Factories Clearinghouse](#) membership;
- International Labour Organisation (ILO) meetings;
- Regularly publishing latest developments in European Committee for Standardization / International Organization for Standardization (CEN/ISO) work in our Member Only News and actively participating in CEN meetings;
- Participation in UN Forum for Business and Human Rights.

## HOW IS WFSGI ENGAGING ITS MEMBERS TO ADDRESS THESE ISSUES?

WFSGI provides an array of valuable information and advisory services to assist its members with their varied CSR initiatives. Focal areas of our work are:



- Ad hoc support to members through the CSR Helpdesk;
- Alert members on important legal developments and regulatory changes;
- Guidance and direction on CSR developments and best practices;
- Tracking developments about environmental indexing systems;
- Harmonisation of audit processes by offering members access to shared data systems (Fair Factories Clearing House);
- Manufacturers Forum.

## WHAT COMMITMENT IS WFSGI LOOKING FOR FROM MEMBERS?

WFSGI relies on its members to provide leadership and direction to our standing committees and takes pride in their contribution of time and expertise to the cause of corporate social responsibility. Going forward, we anticipate higher levels of participation from our members as they progress in their collective efforts to improve their business operations.

Programmes that promote dialogue among our members will continue to be a vibrant and important resource for members to build a community of practice and share their knowledge and experience with each other.



# CASE STUDY: ENSURING COMPLIANCE THROUGH THE WFSGI PLEDGE FOR THE FIFA QUALITY PROGRAMME

## SETTING THE SCENE

Since 1997 the sporting goods industry has actively worked with FIFA to eliminate child labour in the football stitching industry in Pakistan and India. Over time, this initial focus on child labour has expanded to cover a broader set of international labour standards.

Today any company that wishes to sign a FIFA license agreement and become part of the FIFA Quality Programme must first sign a WFSGI Pledge form together with their manufacturer, confirming that they are both in compliance with the WFSGI Code of Conduct. This requirement now covers not only soccer ball manufacturers but also artificial turf and goal line technology producers.

To verify compliance, WFSGI requires FIFA licensees to submit a comprehensive audit report, issued by an internationally recognised third party auditor. Reviewed annually, non-compliance with the code can result in withdrawal of the FIFA licence.

## SUPPORTING SMALLER MANUFACTURERS

Smaller manufacturers that do not produce for major brands may not know how to comply with codes of conduct. One such company – a manufacturer and exporter of soccer balls and sports garments – is based in Pakistan and employs 87 workers. In summer 2014, to maintain its FIFA licence, WFSGI asked the company for a signed pledge along with an audit report proving their compliance with the WFSGI Code of Conduct. WFSGI provided information about what was required and a list of auditing companies that could provide support.

Unfortunately the audit revealed that the factory fell short on a number of issues including freedom of association, health and safety and wages and benefits.

WFSGI informed the company that until it demonstrated it had taken the necessary corrective actions, WFSGI would not pledge its compliance with the Code of Conduct to FIFA.

Threatened with the loss of its FIFA licence, the company implemented the audit's recommendations, with WFSGI monitoring its progress. In December the WFSGI received a new audit report, confirming that the company had addressed all the issues identified and now complied fully with the Code of Conduct.

## HELPING SMALLER BRANDS

Smaller brands with lower production volumes can lack the leverage needed to encourage their manufacturing partners to comply with the WFSGI Code of Conduct. This was the case with one Chinese manufacturer with a few thousand employees, which produces footballs for several FIFA licensee brands.

The brands' audit reports of the factory showed several non-compliances with the WFSGI code and the WFSGI could not issue the pledge until the factory had implemented corrective actions, which it seemed reluctant to do. It was agreed that the WFSGI would draft a letter signed by all the brands with an ultimatum for the factory to comply within three months. This had the desired effect and the manufacturer was re-audited successfully.

## RESULTS

The WFSGI Pledge is an effective mechanism for achieving workplace improvements in factories making football-related products. The WFSGI not only supports manufacturers in understanding and meeting the requirements of the pledge system, it can also use its convening power to drive change forward on behalf of smaller brands.



## ON-GOING DEVELOPMENTS AND NEXT STEPS

**Our position is that WFSGI should not only showcase and celebrate members who have adopted a Code of Conduct and who publish reports of their CSR activities, but also make a comprehensive accounting of the stage of adoption and implementation for all of our members.**

At present, WFSGI publishes links to CSR web pages of members who have supplied them (<http://www.wfsgi.org/committees/csr-committee/csr-profiles-reports>).

In time, we believe that publishing more detailed surveys and reports on the progress of our membership with respect to progress on an number of different aspects of CSR will reward the leaders with recognition for their actions, and highlight the opportunities for improvement in the membership.

Practical indicators for CSR performance may include:

- Adoption of the WFSGI Code of Conduct, or a variant (e.g., [BSCI Code of Conduct](#), FLA, SEDEX);
- Adoption or membership in other CSR standards or programs (e.g. Zero Discharge of Hazardous Chemicals (ZDHC) programme);
- Effective monitoring/management systems in place – WFSGI offers guidance in how to successfully implement both internal and external (i.e., 3rd party) monitoring and verification of programs;
- Publication of a CSR report or web pages on CSR.

## SUMMARY AND CONCLUSION

WFSGI provides a platform for sharing best practices and actively engages members in realising a CSR vision grounded in shared values and principles. As an association, WFSGI is both a voice for the industry and a trusted advisor on CSR and strategy issues for its members. 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 changes in industry relationships and regulations that we are sure to see over the next five to ten years.

The WFSGI Code of Conduct represents a commitment to ensuring that our members' operations satisfy the highest ethical standards in the global marketplace. WFSGI will continue to help our members be a positive influence on the social and economic conditions under which sporting goods are manufactured and produced, through responsible actions and decisions.

WFSGI also acknowledges that companies operate under different legal, economic, social and cultural environments and these differences merit understanding. Members must ensure that all activities related to the production of their goods at least comply with all relevant applicable mandatory legal requirements.

That said, we will continue to encourage our member companies to develop systematic and comprehensive due diligence processes that enable respect and (if required) remedy for social and environmental impacts. We will share knowledge and facilitate dialogue. We will assist our member companies in adoption of best practices. We welcome your collaboration.





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