Refreshment Break
Sponsored by:

Coats North America
International Product Safety & Compliance Conference

November 15, 2016
Ho Chi Minh City, Vietnam
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AmCham Vietnam Exhibitors:

[Image of logos for sponsors]
Thank You to Our Program Supporters

The Vietnam Trade Facilitation Alliance
Welcome

Nate Herman, Senior Vice President, Supply Chain, American Apparel & Footwear Association
Welcome

Nate Herman, Senior Vice President, Supply Chain, American Apparel & Footwear Association
Welcome Address

J.R. Larson
Economic Officer
U.S. Consulate Ho Chi Minh City
Keynote Address

Dr. Monica Gorman
Vice President of Global Compliance
New Balance Athletics, Inc.
RESPONSIBLE LEADERSHIP AT NEW BALANCE

DR. MONICA GORMAN
VICE PRESIDENT, GLOBAL COMPLIANCE
AGENDA

1. Who is New Balance?
2. How do we approach Compliance?
3. What are the challenges we face & what is our Vision for the Future?
OUR HISTORY

Ready....

It all began with a chicken’s foot in 1906...
Today, at ~US$4B+, New Balance is one of the largest privately-owned companies in the United States. NB is proud to be the only major athletic company to make or assemble more than 4 million pairs of athletic footwear per year in the US, which represents a limited portion of our sales.
THREE AREAS OF NB RESPONSIBLE LEADERSHIP

IN THE SUPPLY CHAIN, THIS MEANS...
New Balance respects the rights and dignity of the people who make our products as well as the environment and communities in which we work.

Responsible Leadership includes Compliance (product safety, chemicals, social, environmental) as well as better practices that go Beyond Compliance.
THE NB SUPPLY CHAIN

More than 150 Direct T1 Suppliers in ~30 Sourcing Countries*

FAST FACTS:

• Footwear represents the majority of NB sales, although we also sell apparel, accessories & equipment
• Top footwear sourcing countries are: Vietnam, China, Indonesia & USA
• NB owns factories in the US & UK, and Warrior owns factories in Mexico, US & Finland
• Apparel & equipment sourcing require a more diverse sourcing geography
• A majority of our sales revenue comes from outside the USA

* Excludes suppliers of NB licensees
Why do we care about compliance?

- Compliance is the right thing to do.
- Compliance is good business.

Treating workers well, maintaining a clean and safe workplaces, knowing where materials come from, using approved chemicals and not polluting the environment is part of ensuring top quality, delivery, order reliability, etc.

- Compliance reduces risk and protects the brand.

NB Responsible Leadership Policies are set out in our Supplier Code of Conduct, Supplier Standards Manual and Restricted Substances Manual, which are part of our standard contractual agreement that every NB supplier must sign.
What are we doing about it?

- **COMPLIANCE MANAGEMENT**
  - Auditing/remediation
  - Product testing
  - Performance ratings

- **PROMOTE BETTER PRACTICES**
  - HRM/Environmental Management
  - Chemical Management
  - Energy/waste efficiency
  - Lean/productivity (include worker role)
  - Product design innovation
  - Materials innovation

- **COLLABORATION**
  - Other brands, suppliers
  - Other industries (e.g., chemical industry)
  - NGOs, trade unions
  - Government
When compliance isn’t managed well, bad things happen…

- In 2012-13, 1600+ garment workers died in fires & collapses (mostly in South Asia, but also Cambodia, Vietnam, China, etc.).

Auditing and testing is just the start. Sustaining good practice involves implementing **better practices over time** – by brands and suppliers. It also requires other industries and consumers to share our commitment.
How do we tackle these challenges?

• Build a “culture of compliance”
  ➢ Not just “how do I pass tests/audits” but “how do I build the best systems possible that also ensure I can sustain good compliance throughout my business?”

• Recognize testing & audits are necessary, but they are just step one
  ➢ Implement better management systems to prevent problems from ever happening
  ➢ Promote longer-term thinking (compliance = better business)

• Build strong partnerships between buyers & like-minded suppliers
  ➢ Key area of focus for NB
  ➢ Includes upstream suppliers

• Have zero tolerance for corruption/lack of transparency
  ➢ Includes upstream suppliers

• Explore public policy solutions at national level to strengthen laws, empower workers & consumers, and build capacity of law enforcement
  ➢ Involve other industries and stakeholders

• Realize that this is fundamental to future business success:
  ➢ There aren’t many more “cheaper” sourcing countries left in the world!
  ➢ Scarce resources & labor = need for innovative manufacturing, not cheaper manufacturing
  ➢ In the age of social media, there are no secrets…
Vision for the Future

Chemical Compliance
“don’t let bad chemicals show up in products”

Greener Chemistry
“DO use good chemicals as inputs”

Social Compliance
“don’t hurt people”

Positive Workplace
“DO empower people so that they can empower our company”

Environmental Compliance
“don’t pollute”

Greener Manufacturing
“DO make our environment better than when we started”
THANK YOU!
Keynote Address

Dr. Monica Gorman
Vice President of Corporate Compliance
New Balance Athletics, Inc.
Compliance Regulations That All Factories and Suppliers Must Deliver

Nate Herman, Senior Vice President, Supply Chain, American Apparel & Footwear Association

Frank Juettner, General Director, TUV Rheinland Vietnam

André Leroy, Vice-Chairman, Global Apparel, Footwear and Textile Initiative (GAFTI)
Introduction: The Importance of Compliance

Frank Juettner, General Director, TÜV Rheinland Vietnam
Why is compliance so important?

restricted substances list (RSL)

April 2016 | Seventeenth Edition
The discovery of Tributyltin (TBT) in football jerseys

Polycyclic Aromatic Hydrocarbons (PAHs) are found in power tools

Consumer Product Safety Improvement Act (CPSIA)

The new EU chemicals Regulation REACH entered into force
Why is compliance so important?

Polycyclic aromatic hydrocarbons (PAHs): it all started in 2005

Picture: PAH fluoresce under UV-light.

Power tools were tested by “Stiftung Warentest”, a German consumer organization and foundation involved in investigating and comparing goods and services in an unbiased way (online and print).
Why is compliance so important?

We tested a lot of tools in our labs in Cologne, Germany. Especially black rubber parts.
Why is compliance so important?

Garden shredder for the German market, made in China. The transparent cover of the power switch hasn’t been tested for PAHs.
The importer was no longer able to sell the product to a retailer, as the garden shredder wasn’t in compliance with the legislation in Germany. As a result, the importer **almost went bankrupt**.
Why is compliance so important?

**Simply speaking: it’s a must!**

- **Sustainability**
  - All retailers and brands have sustainability initiatives in place.
  - Retailers and Brands are under scrutiny of NGOs: being compliant is not nice to have, it’s a duty!

- **Economic reasons**
  - Qualified supplier for overseas buyers
  - It opens the door for many buyers, thus prosperity for your company here in Vietnam
  - To remain competitive in the global marketplace
  - Regulatory compliance gives consumers confidence in your product: it can be the decisive factor for a buying decision (i.e. labels)
  - Building positive reputation and brand (this also helps a business with sponsors, advertisers, and government requirements)

- **Competitiveness**
  - Positive effects of compliance with health & safety, surely similar correlations exist with environmental/social compliance
Product Safety – United States

Restricting Chemicals

– TSCA (Toxic Substances Control Act) Reform
– CPSIA (Consumer Product Safety Improvement Act)
– Suffolk County (New York State)
  • Effective December 1, 2016
Product Safety – United States

Reporting/Labeling Chemicals
– California Proposition 65 (Prop 65)
– Washington State, Oregon, Maine, Vermont

WARNING
This product can expose you to formaldehyde, a chemical known to the State of California to cause cancer. For more information, go to www.p65Warnings.ca.gov/product.
Social Compliance – United States

Import Ban on Forced/Prison Labor Products

– U.S. Customs and Border Protection (CBP)
– Bans imports made “wholly” or “in part” with forced/prison labor
Social Compliance – United States

California Human Trafficking Law
– California Transparency in Supply Chains Act
– Requires companies to disclose on their websites what they are doing to prevent human trafficking and forced labor in their supply chains
Social Compliance – United States

Conflict Minerals

– 4TG
  • Tin
  • Tantalum
  • Tungsten
  • Gold
Product Safety – Europe

REACH

– Report Chemicals
– Ban Chemicals

CMR

– Carcinogenic, Mutagenic, Reprotoxic
– Regulate 300 plus new chemicals in clothes and shoes
– Accelerated timeline for regulations
UK Modern Slavery Law (Great Britain)
—Requires companies to disclose on their websites what they are doing to prevent human trafficking and forced labor in their supply chains
Lead found in rhinestones after shipment

- 25,900 PPM of lead (Legal Limit - <100 PPM)
- 1,308 T-Shirts
- T-Shirts destroyed
- FOB value $8,162
- Factory charged back $7,104
- Order canceled – lost sale
Product Safety Tools

• AAFA RSL
  – Restricted Substances List
  – Most restrictive regulations on chemicals worldwide
  – Update 2X every year (Version 18)

• AAFA Prop 65 RSL
  – Restrictions established in Prop 65 legal settlements

• AAFA Reasonable Testing Guidance
  – How to establish a chemical testing program
Nate Herman
Senior Vice President, Supply Chain
AAFA
nherman@aafaglobal.org
Compliance Regulations That All Factories and Suppliers Must Deliver

Nate Herman, Senior Vice President, Supply Chain, American Apparel & Footwear Association

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Refreshment Break
Sponsored by:
Meeting Social Compliance Requirements to Drive Profitability

Alan Fogarty, Vice President/Country Manager, MGF Sourcing Far East, Limited

Rick Horwitch, Vice President, Global Strategy and Solutions Business Development, Bureau Veritas Consumer Products

Avedis Seferian, Esq., President & CEO, Worldwide Responsible Accredited Production (WRAP)
Meeting Social Compliance Requirements to Drive Profitability

AAFA Product Safety & Compliance Conference

Ho Chi Minh City, Vietnam

Presented by:
Rick Horwitch
Vice President,
Global Retail Lead & Solutions
Business Development
November 15, 2016
BUREAU VERITAS – OVERVIEW

1828
18 (120)
1

2016
196 (243)
155
THE CHALLENGE & OBJECTIVE – FOR EVERYONE
INDUSTRY CHALLENGES

- **Cheaper**: Total Cost Improvement
- **Faster**: Reduce Cycle Times
- **Better**: Improve Final Product Quality
- **Safer**: Consumer Protection, Brand Integrity
- **Smarter**: Business Intelligence for Better Decision Making
UNDERSTANDING THE SUPPLY CHAIN PUZZLE
OUR PANEL

► Alan Fogarty – Vice President/Country Manager, MGF Sourcing Far East

► Avedis Seferian – President & CEO, Worldwide Responsible Accredited Production (WRAP)
Move Forward with Confidence
MEETING SOCIAL COMPLIANCE REQUIREMENTS TO DRIVE PROFITABILITY: Worker Health & Safety and Factory Conditions

Avedis H. Seferian, Esq.
President & CEO
Worldwide Responsible Accredited Production (WRAP)

November 15, 2016
Ho Chi Minh City, Vietnam
The World is Watching
It takes 20 years to build a reputation, and 5 minutes to ruin it. If you think about that, you’ll do things differently.

- Warren Buffett
So, what do buyers expect?

Bottom line:

As part of protecting their own businesses, buyers are looking to manufacturers to take ownership and responsibility for working conditions in their facilities and, in particular, worker health and safety.
5 Step Risk Assessment

Step 1: Identify Hazards
Step 2: Identify People at Risk
Step 3: Evaluate, Remove, Reduce and Protect From Risk
Step 4: Record, Plan, Inform, Instruct and Train
Step 5: Review
Thank you!

Avedis H. Seferian, Esq.
President & CEO
aseferian@wrapcompliance.org

Worldwide Responsible Accredited Production
Arlington, VA

www.wrapcompliance.org

+1-703-243-0970
MGF INTRODUCTION
**MGF Sourcing History**

*For over 45 years, MGF Sourcing has grown to be one of the world’s largest apparel contract manufacturers, importers, and distributors*

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>Mast was founded by Martin and Dena Trust at their MA home</td>
</tr>
<tr>
<td>1971</td>
<td>Mast obtains their first order from Limited Brands</td>
</tr>
<tr>
<td>1970</td>
<td>Mast opens Hong Kong office</td>
</tr>
<tr>
<td>1973</td>
<td>Mast Taiwan opens in Taipei</td>
</tr>
<tr>
<td>1976</td>
<td>Mast Korea opens in Seoul</td>
</tr>
<tr>
<td>1980</td>
<td>Mast achieves over $500M USD in sales</td>
</tr>
<tr>
<td>1986</td>
<td>Mast is acquired by Limited Brands</td>
</tr>
<tr>
<td>1986</td>
<td>Mast achieves over $500M USD in sales</td>
</tr>
<tr>
<td>1992</td>
<td>Mast Indonesia opens in Jakarta</td>
</tr>
<tr>
<td>1992</td>
<td>Mast achieves $1B USD in sales</td>
</tr>
<tr>
<td>1993</td>
<td>Mast China opens in Shanghai</td>
</tr>
<tr>
<td>1998</td>
<td>Mast Sri Lanka opens in Colombo</td>
</tr>
<tr>
<td>2001</td>
<td>Mast opens inspection center in Shenzhen</td>
</tr>
<tr>
<td>2002</td>
<td>Mast Vietnam opens in Ho Chi Minh</td>
</tr>
<tr>
<td>2008</td>
<td>Mast achieves $1B USD in sales</td>
</tr>
<tr>
<td>2010</td>
<td>Mast Peru opens in Lima</td>
</tr>
<tr>
<td>2011</td>
<td>Sycamore partners acquires 51% of Mast Global Fashions from Limited Brands</td>
</tr>
<tr>
<td>2014</td>
<td>Mast becomes MGF Sourcing</td>
</tr>
<tr>
<td>2015</td>
<td>Sycamore acquires remaining interest from L Brands</td>
</tr>
</tbody>
</table>

*Our success and growth has been the result of our long-term partnerships with our customers & suppliers*
MGF Sourcing Values

Our values are at the heart of everything we do
They’re a connection to our history and a guide for our future

The customer rules
Everything we do must begin and end with an insatiable drive to anticipate and fulfill our customers’ desires

Passion leads to success
We pursue excellence because we are emotionally, intellectually, and spiritually engaged in our work ... and that makes our talent formidable and our results extraordinary

Inclusion makes us stronger
We cherish our diversity, because embracing others’ thoughts, experiences, hopes, and dreams makes our own more complete and connects us to our customers

It matters how we play the game
Doing what is right means following our beliefs – and the rules – when no one is watching. Winning means nothing unless how we get there is fair, collaborative, rooted in our values, and contributes to the greater good

Our values are how we measure our success for the things we do today
MGF strongly believes “Together, We can Make a Difference!” and therefore dedicated to contribute and support to the community.

** MGFTouch Foundation **

- Founded in March 2012
- Building relationships with organizations around the world, where we live, work and do business
- Supports non-profit organizations around the world that work to prevent and end human trafficking, particularly the slavery of women and children, through awareness and education, healthcare, and financial support for victims
- Raised $955K of funds since inception
- Supporting six different organizations across five countries with a total of $475K of grants paid since inception
- Fundraising activities and support in every office and country
- Partnered with Pacific Links to implement FACT into MGF Supply Chain
Ethical Supply Chain – “Forced Labor”
Vietnam –
High Risk Country With Concentrated Garment Factory Workers

Human trafficking routes in and out of Vietnam

Factors of High Risk Country

Vietnam is a high risk country for human trafficking and forced labor
MGF Garment Supply Chain –
The reasons that we must always have highest degree of awareness & vigilance to ensure NO INPUTS produced with FORCED LABOR

The California Transparency in Supply Chain Act
- First act of its kind in the U.S. to link business to the issue of human trafficking
- Requires retail sellers and manufacturers with annual worldwide gross receipts over $100 million doing business in the state of California to publicly disclose their efforts to eradicate slavery and human trafficking from their supply chains
- Companies are required to disclose its employee and management training on human trafficking and slavery

Trade Facilitation and Trade Enforcement Act of 2015 (“Customs Reauthorization Bill”)
- In February 2016, President Obama signed the Customs Reauthorization Bill, which includes a section eliminating importation of goods made with convict labor, forced labor, or indentured labor (Section 910)
- Customs and Border Patrol (CBP) is working with Senator Brown, Senator Wyden, and NGOs to fully enforce this law
- CBP has added 24 employees to target forced labor import products, and State Department is setting up 9 additional attaches in U.S. Embassies overseas to collect information on forced labor issues

On the Customs Reauthorization Bill ... CBP’s goal “is to block all forced labor imports” from entering into the United States pursuant to the Customs Bill. CBP plans to be forward leaning and self-initiate detention orders instead of waiting for forced labor investigation petitions to be made.

CBP Commissioner Richard Gil Kerlikowske
Senate Finance Hearing, May 11, 2016
**Ethnical Supply Chain – Forced Labor’s Definitions & Policy**

**Key definitions**

- “Forced Labor” means knowingly providing or obtaining the labor or services of a person
- “Involuntary servitude” includes a condition of servitude included by means of—
  - Any scheme, plan or pattern intended to cause a person to believe that, if the person did not enter into or continue in such conditions, that person or another person would suffer serious harm or physical restraint
  - The abuse or threatened abuses of the legal process

**Policy**

- Confiscating or denying access by an employee to the employee’s identity or immigration documents, such as passports or driver’s licenses
- Using misleading or fraudulent practices during the recruitment of employees or offering of employment, such as failing to disclose, in a format and language accessible to the worker
  - Including wages and fringe benefits, housing and associated costs (if employer or agent provided or arranged), any significant costs to be charged to the employee, and, if applicable, the hazardous nature of the work
- Charging employees recruitment fees
- Failing to provide return transportation or pay for the cost of return transportation upon the end of employment, for an employee who is not a national of the country / United States national
- Legally permitted to remain in the country or employment
- Providing or arranging housing that fails to meeting the host country housing and safety standards

**Ensuring an Ethical Supply Chain** – To combat the risks of child and forced labor in operations and global supply chains, we should have a comprehensive and transparent social compliance system in place

**U.S. Government, with new statutory (legal) authority and strong pressure from the US Congress to STOP the IMPORTATION of GOODS produced wholly -- or in part from FORCED labor**
**Validation**

**MGF Compliance Audit Tools**
- Partnering with 3rd party audit firm to conduct initial compliance audit for all new factories initial audits and annual audits - BV, Elevate
- Use of MGF audit checklist with enhanced Health & Safety, Labor Relation, and Women’s Right session. Standardized MGF audit report is used by all audit firms in all countries
- The audit scopes on Labor Standard, Supply Chain Security (CTPAT), and Brand Protection will be covered in the comprehensive MGF audit checklist to cater for legal and customer requirement
- Trade Compliance audit is conducted by MGF Compliance team to investigate any unauthorized subcontracting issue in MGF orders

**Audit Scope (by 3rd party audit firm)**

<table>
<thead>
<tr>
<th>Labor Standard</th>
<th>Security (CTPAT)</th>
<th>Brand Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Legal Law</td>
<td>• Business partners selection</td>
<td>• Samples &amp; tech packs, trims, labels and artwork handling</td>
</tr>
<tr>
<td>• Child Labor</td>
<td>• Container &amp; trailer security</td>
<td>• Production &amp; subcontractor control</td>
</tr>
<tr>
<td>• Transparency</td>
<td>• Physical access control</td>
<td>• Overrun, second/ third quality control</td>
</tr>
<tr>
<td>• Working hours</td>
<td>• Personnel security</td>
<td>• Sell-off</td>
</tr>
<tr>
<td>• Wages &amp; Benefits</td>
<td>• Procedural security</td>
<td>• Destruction</td>
</tr>
<tr>
<td>• Forced labor</td>
<td>• Physical security</td>
<td></td>
</tr>
<tr>
<td>• Fire safety</td>
<td>• Information technology security</td>
<td></td>
</tr>
<tr>
<td>• Environmental</td>
<td>• Security &amp; threat awareness training</td>
<td></td>
</tr>
<tr>
<td>• Discrimination</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Humane treatment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Chemical handling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Freedom of association</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Women’s rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Bribery/ Corruption</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Audit Result

- **A** - Satisfactory result for 12 month validity
- **B** - Good result with minor compliance issues for 6-12 month validity
- **C** - Needs improvement with major compliance issues for 3-12 month validity
- **F** - Needs immediate remediation with critical compliance issues for immediate follow up audit in 1-3 months

## CAP Management

- Suppliers are required to submit CAP after each audit
- CAP is to be submitted to MGF compliance team with photo and/or document evidence within 7 to 14 days after the date of CAP request
- The following columns shall be completed by supplier:
  - Root Cause
  - Corrective Action
  - Corrective Action Due Date
  - Responsible Person(s)
  - Photo and document evidence shall be submitted via separate documents
- MGF compliance team will be responsible for the review of the CAP and the evidence submitted by suppliers
- The CAP will not be closed until all evidence is submitted and meets MGF requirements
- Onsite follow up audit will be considered based on the CAP progress

## 24 hours Notification Policy

- Zero Tolerance (ZT) are defined as below, and if any ZT is observed, auditors MUST report to MGF compliance regional officer and Global Director within 24 hours:
  - Child Labor
  - Denied access
  - Bribery
  - Harassment and abuse
  - Forced labor and/or Human trafficking
  - Discrimination
  - Unauthorized subcontracting
  - Use of homeworkers
  - Extreme H&S issues

## Escalation Policy

*Uncover during audit*

- MGF Compliance Director will escalate the Zero Tolerance issues to MGF Leadership team and Customers within 24 hours upon receipt the ZT notification from auditors.

*Incidents updated by MGF regional office*

- Customers will be informed for the below incidents in MGF factories and/or MGF production countries (with regular updates for the situation to customers when necessary):
  - Worker Strike
  - Demonstration and Protest
  - Weather disaster
  - Fire accident (in MGF active factory)
  - Food poisoning (in MGF active factory)
  - Factory is put to media with compliance issue
**Compliance Score Card**

- MGF compliance scorecard is implemented to measure MGF factories performance under a consistent methodology.
- Used to measure and evaluate factory compliance and sustainable performance in an objective and quantitative manner.
- Compliance scorecard result is composed of four key elements including social audit result, workplace safety check result, factory management attitude/approach, and best practice adoption by the factory.
**Sustainability**

**HerProject**

- **Collaborate the HerProject program with Customer to train the female workers in factory**

- **HerProject is a 14-18 month project which target to increase awareness and knowledge of female workers on health-related service and products, hygiene and nutrition through regular training and peer education**

- **Since 2015, 1 factory in Vietnam is started the HerProject program training, and 1 China factory is followed in 2016**

- **The Kick Off meeting of the HerProject in Vietnam with the participation of the local NGO – LIFE Centre, they keep close dialogue with factory representatives and MGF compliance officers**

**MGF regularly provides training to increase the awareness and the knowledge of workplace safety, grievance and health & hygiene to the factory & worker**
To encourage continuous improvement and advance MGF suppliers to a higher level of compliance, MGF has partnered with 3rd party consulting firm to develop the Supplier Training Workshop to our key supplier. Many of our MGF customers will also do co-sponsorship to Suppliers’ training.

**Supplier Training (China)**

**Subject:** “Supplier Ownership – Establishing Factory Compliance Management System” with “Plan Do Check Act” tool

**Participant:** Key Suppliers’ Compliance leaders & Management leaders (small group 15-20 participants a group)

**Location:** Shenzhen & Shanghai

- Tailor made contents for each region, covering Health and Safety, Environment and Labor Relation, as well as interactive case sharing were well discussed amongst all attendees during the training.
- In the long run, we would expect to extend this training workshop to other countries so as to benefit our global vendors as well.
### MGF Compliance Projects

**MGF has a sustainability program which is actively engaging the suppliers to focus on key compliance initiatives**

<table>
<thead>
<tr>
<th>Sustainability Program &amp; Projects</th>
<th>Other Compliance Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Workplace Safety</strong></td>
<td><strong>Conflict Minerals</strong></td>
</tr>
<tr>
<td>• Conduct regular factory visit to for safety check</td>
<td>• Conflict Minerals reporting 2016 from NYCO is pending from customer direction</td>
</tr>
<tr>
<td>• Request factory for completing safety self check questionnaire and develop their ownership of the safety program</td>
<td>• MGF will follow up with all our suppliers to collect information on trims supply in due diligence as per usual practice. The consolidated reply will be made from MGF to customer</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td><strong>Unannounced and Check the Checkers Program</strong></td>
</tr>
<tr>
<td>• Analyzed Environmental standard of MGF garment, laundry and mill suppliers with self questionnaire</td>
<td>• Unannounced audit will be scheduled randomly and conducted by MGF internal compliance officers to check few important items:</td>
</tr>
<tr>
<td>• Facilitate and cope with customer Environmental program</td>
<td>• Labor issues (e.g. Child labor or force labor)</td>
</tr>
<tr>
<td></td>
<td>• Unauthorized subcontracting</td>
</tr>
<tr>
<td><strong>Labor Relations</strong></td>
<td><strong>Unannounced and Check the Checkers Program</strong></td>
</tr>
<tr>
<td>• Distributed the Labor Relation deck to all factories in Vietnam last year to promote good practice for Labor Relation</td>
<td>• Shadow audit will be scheduled occasionally for 3rd party auditors</td>
</tr>
<tr>
<td>• Requested factories to develop and enhance their labor relation program</td>
<td>• Unannounced Trade Compliance audit will be scheduled to each RTV case, to ensure no unauthorized subcontracting happened in factory</td>
</tr>
<tr>
<td>• Extend Labor Relation program to key vendors in China and Indonesia</td>
<td><strong>Product Regulatory</strong></td>
</tr>
<tr>
<td><strong>Product Regulatory</strong></td>
<td><strong>Training Program</strong></td>
</tr>
<tr>
<td>• Restricted Substances Matrix table has been successfully developed and updated annually. The 2015 RS Matrix table has been updated with updates from customers</td>
<td>• Compliance memo and letter will be delivered regularly to reinforce the compliance principle and requirement</td>
</tr>
<tr>
<td>• Table has been posted under MGF SharePoint for internal reference, authorized staff can be assessed</td>
<td>• Classroom training workshops and webinars will be scheduled in all countries to share the compliance issues and solutions</td>
</tr>
<tr>
<td></td>
<td>• Hire local consultant partner to share the best practices with factories management and enhance their own compliance program in factory with appropriate tools</td>
</tr>
</tbody>
</table>
THANK YOU VERY MUCH

Any questions?
Meeting Social Compliance Requirements to Drive Profitability

**Alan Fogarty**, Vice President/Country Manager, MGF Sourcing Far East, Limited

**Rick Horwitch**, Vice President, Global Strategy and Solutions Business Development, Bureau Veritas Consumer Products

**Avedis Seferian, Esq.**, President & CEO, Worldwide Responsible Accredited Production (WRAP)
Lunch

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[WRAP Logo]
Chemical Compliance for the European Market

Jörg Diekmann, Director International Sales, Hohenstein Textile Testing Institute, International OEKO-TEX Association

Bill Watson, Managing Director, Coats Phong Phu

Yugao Zhang, Group R&D Director, Esquel Enterprises Limited
AAFA – International Safety & Supply Chain Compliance Conference
Nov. 15th 2016 – The Reverie Saigon

Jörg Diekmann – OEKO-TEX® Association
OEKO-TEX® - A global textile solution

Textile Chemicals
Spinning
Knitting & Weaving
Finishing
Making-up
Brands & Retail
Changes in market claim

- Traceability and transparency
- Responsible sourcing
- Efficient cost and production structures
- Strategic risk management
- Sustainability in process and sourcing
- Product and consumer safety
OEKO-TEX® concept today

Transparency for all stakeholder groups
OEKO-TEX® Standard 100
Export into the EU
The European Union (EU) wants to make sure that the applications of these substances are known and the substances are either not hazardous or are controlled throughout their lifecycle so that exposure and therefore risk is minimized.

First SVHC candidate list has been published on 28th Oct 2008! The list is expected to grow to over 1000 entries in the years ahead.

- Official SVHC lists (candidates for Annex XIV)
- Forbidden (Annex XIV)
- Restricted and banned substances (Annex XVII)
Definition SVHC…

- What is SVHC (Substance of very high concern)?
- Acc. to article 57 of 1907/2006 (EC)
- Carcinogenic, mutagenic or toxic to reproduction (CMR cat. 1 or 2)
- Persistent, bioaccumulative and toxic (PBT)
- Very persistent and very bioaccumulative (vPvB)
- Substances give rise to an equivalent level of concern (e. g. endocrine disruptor)
Substances of very high concern (SVHC) ➔ Candidate list for Annex XIV

Currently valid edition dated June 2016 covering 169 substances
Normally the list will be updated twice a year (middle/end June and December)
Threshold concentration value 0.1 % (= 1000 mg/kg) for each SVHC substance

SVHC substance present in an article above 0.1 % (= 1000 mg/kg)

➢ communication duty within the supply chain and duty to provide sufficient information regarding the substance and for safe handling and: additional after request also communication duty within 45 days to consumers

➢ However, article is not banned to sell or „to bring in traffic“ (unless other legal requirements exist for certain articles or uses).
Annex XIV ➔ List of substances forbidden or subject to authorisation

Currently among others e.g. the following substances are included in this annex:

4,4′-Diaminodiphenylmethane (MDA), DEHP, BBP, DBP, DIBP (all phthalates/softeners), Tris (2-chloroethyl)phosphate (TCEP), Formaldehyde, oligomeric reaction product with Aniline (technical MDA) just recently included, C.I. Pigment Yellow 34, C.I. Pigment Red 104 and several further Chromium(VI) compounds, etc.

If a substance is added/covered in the annex XIV then there are transitional arrangements:

a) Latest application date at the ECHA for an application for a certain further use.

b) Sunset date after which the substance is not allowed to be used further. A further use of the substance is then only possible if the use for a certain process was accepted after application by the ECHA.
REACH for textiles

Annex XVII ➔ Restrictions on the manufacture, placing on the market and use of certain dangerous substances, mixtures and articles

- Tri-(2,3 Dibromopropylphosphate)
- Asbestos
- Tris-(aziridinyl)-phosphinooxide
- Polybrominated biphenyls
- Polobrominated diphenylethers
- Lead carbonate, lead sulfate
- Mercury compounds
- Chlorinated phenols
- Cadmium
- Nickel
- SCCP
- Banned AZO-colorants
- Certain phthalates for baby articles
Relevant Annex for garments and home textiles for deliveries into the EU

- SVHC – candidate list
  http://echa.europa.eu/web/guest/candidate-list-table

- Annex XIV
  forbidden substances

- Annex XVII
  Restricted and banned
RSL & MRSL: The differentiation

**RSL**

*restricted substance list (product related)*

List of restricted chemicals, auxiliaries and other substances used during textile production including banned materials as well as threshold values. Restricted substances lists are based on government regulation or law or toxicological expertise worldwide. A RSL is verified through analytical testing of processed textiles.

**MRSL**

*manufacturer restricted substance list (process related)*

List of chemicals, auxiliaries and other substances subject to a usage ban in textile production facilities. The listed chemicals should not be intentionally used in production processes. A MRSL can be verified through chemical inventory review and analytical testing of chemical mixtures. The MRSL does not cover chemical synthesis processes or other stages of chemical production.
OEKO-TEX® Standard 100 RSL – Limit values and fastness

<table>
<thead>
<tr>
<th>Substance</th>
<th>Limit Values (mg/kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arsenic</td>
<td>10</td>
</tr>
<tr>
<td>Antimony</td>
<td>100</td>
</tr>
<tr>
<td>Cadmium</td>
<td>25</td>
</tr>
<tr>
<td>Chromium</td>
<td>100</td>
</tr>
<tr>
<td>Lead</td>
<td>100</td>
</tr>
<tr>
<td>Mercury</td>
<td>10</td>
</tr>
</tbody>
</table>

Note: Additional substances may have specific limit values depending on the product category and intended use. For complete information, refer to the official OEKO-TEX® guidelines.
New OEKO-TEX® Standard 100 criteria 2016

### Additional harmful substances
- Allergenic disperse dyes
- Polycyclic aromatic hydrocarbons (PAHs)
- Extractable heavy metals e.g. As, Hg, Pb, etc.
- Chlorinated phenols (TeCP, TrCP, DCP, MCP)
- Chlorinated benzenes and toluenes
- Organotin compounds (10 additional substances)
- Pesticides
- Perfluorinated compounds (PFHpA, PFNA, PFDA, PFUdA, PFDoA, etc.)
- Solvent residues (NMP, DMAc, DMF, Formamide)
- UV stabilizers
- Emission of volatile components
- Surfactant-, wetting agent residues: Nonylphenol- and Octylphenol ethoxylates; Nonylphenol and Octylphenol

### Legally banned & regulated substances
- Banned Azo colourants
- Carcinogenic dyes/colourants
- Chlorinated phenols – PCP
- Formaldehyde
- Phthalates/softener
- Heavy metals e.g. nickel, chromium(VI)
- Dimethyl fumarate (DMFu)
- Total content of cadmium resp. lead
- Polycyclic aromatic hydrocarbons (PAHs)
- PFOS, PFOA
- Flame retardant products (e.g. TRIS, TEPA, among others)
- SCCP and TCEP
- Organotin compounds (TBT, TPhT, DBT, DOT)

### Changes in 2016
- Skin friendly pH value
- Colour fastness
- Changes in 2016
- Phthalates/softener
- Formaldehyde
- Chlorinated phenols – PCP
- Heavy metals e.g. nickel, chromium(VI)
- Dimethyl fumarate (DMFu)
- Total content of cadmium resp. lead
- Polycyclic aromatic hydrocarbons (PAHs)
- PFOS, PFOA
- Flame retardant products (e.g. TRIS, TEPA, among others)
- SCCP and TCEP
- Organotin compounds (TBT, TPhT, DBT, DOT)

### Product quality
- Skin friendly pH value
- Colour fastness

### OEKO-TEX®
Confidence in textiles
The 6 STeP by OEKO-TEX® modules

- Chemicals
- Environmental Performance
- Safety
- Social Responsibility
- Quality Management
- Environmental Management
Transparent assessment
Chemicals

Core principles
• Chemical management
• Comprehensive MRSL list
• Towards „green chemistry“
  ✓ Prevention
  ✓ Education & training
  ✓ Information and monitoring

OEKO-TEX®
CONFIDENCE IN TEXTILES
<table>
<thead>
<tr>
<th>ID</th>
<th>Name</th>
<th>Supplier</th>
<th>Composition and %</th>
<th>CAS#</th>
<th>GHS Code</th>
<th>EC#</th>
<th>REACH Reg#</th>
<th>Stock</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>512</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>513</td>
<td>Penta chlorphenol</td>
<td>XY 1</td>
<td>1-Hydroxy-2,3,4,5,6-pentachlorobenzene</td>
<td>87-86-5</td>
<td><strong>H301</strong></td>
<td>244-073-5</td>
<td>None</td>
<td>2kg (0.5 – 5.0 kg)</td>
<td>+++</td>
</tr>
<tr>
<td>514</td>
<td>DMF</td>
<td>XY 2</td>
<td>Dimethylformamide (&gt; 98%)</td>
<td>68-12-2</td>
<td><strong>H312</strong></td>
<td>200 679-5</td>
<td>...</td>
<td>73lt (25-100 lt)</td>
<td>+++</td>
</tr>
</tbody>
</table>

**Acute Mammalian Toxicity, oral**

("... if swallowed"), guiding values for LD₅₀ in mg/kg

**Acute Mammalian Toxicity, inhalation of gaseous or vaporized chemicals**

("... if inhaled"): guiding values for LC₅₀ in mg/L (upper scale) and ppmV (lower scale)
STeP by OEKO-TEX® - MRSL
ECO PASSPORT by OEKO-TEX®
Textile Chemicals. Tested and Verified.
ECO PASSPORT: Two Stage Verification System

OEKO-TEX® comprehensive certification system for textile chemicals, colorants and auxiliaries:

➤ Includes a two stage MRSL/RSL verification process:
  • Stage I: Compliance Screening
  • Stage II: Analytical Verification
PROCESS: STAGE I
Chemicals are screened, at the ingredient level (CAS #s), against the OEKO-TEX® leading restricted substance lists (RSL) and manufacturing restricted substance lists (MRSL).

Compliance comparison in a cost-effective manner. Customers will be informed about any non-compliance quickly and efficiently about ingredients of concern in order to make substitutions prior to the analytical verification.
PROCESS: STAGE II

Analytical verification in our OEKO-TEX® laboratories ensure that certified chemical products can be used in the sustainable production of human-ecologically optimized textile products. Chemicals are tested in formulations, if not possible, the chemicals are tested cured (e.g. glues).
Integrated OEKO-TEX® system

- OEKO-TEX® STANDARD 100
  - Textile product certification for harmful substances
- OEKO-TEX® STeP
  - Factory certification
- OEKO-TEX® ECO PASSPORT
  - Chemical product certification for harmful substances

MRSL

RSL

MRSL

Compliant!
MySTeP by OEKO-TEX®
Comprehensive management database

Real-time management of OEKO-TEX® certificates

Customized visualization and evaluation of the supply chain

Comprehensive data analysis

Scoring system

Warning system
Clear communication

MADE in environmental friendly facilities

MADE with products tested for harmful substances

MADE in safe and socially responsible workplaces
Made in Green Consumer Site
MySTeP: Visualization of the entire supply chain
Visualization of the supply chain, in which the certified product is manufactured.
Visualization of the supply chain, in which the certified product is manufactured.
OEKO-TEX® as solution!
Contact

Jörg Diekmann
Director of International Sales

Hohenstein Institute
Schloss Hohenstein
74357 Bönnigheim
Germany
www.hohenstein.com
E-Mail: j.diekmann@hohenstein.com
phone: +49 7143 271 115
Chemical Compliance for the European (or any) market
An upstream supplier’s perspective

November 15, 2016
You and your customers’ survival and success is your responsibility

November 15, 2016
World leader with a global presence

Coats is the world’s leading industrial thread manufacturer and a major player in the Americas textile crafts market.

Revenues of US$1.5bn in 2015 – Headquartered in UK; LSE premium listing (COA)

We operate on a global basis employing people across six continents with some 30 sites and a sales presence in 100+ countries.

Global footprint

Employees

19,000

Presence  Site  

<table>
<thead>
<tr>
<th>Industrial</th>
<th>Crafts</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>90%</td>
<td>9%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Who we are

World’s leading industrial thread and consumer textile crafts business

**Industrial**

- Apparel and Footwear (A&F)
  - Apparel, footwear and accessories thread
  - Zips and trims products
  - Global Services

- Speciality
  - High technology threads and yarns for non-apparel and footwear uses. Includes automotive, fibre optics, flame retardant, carbon composites

**Crafts**

- Foundation and fashion handknitting products
- Needlecrafting (incl. consumer sewing and lifestyle fabrics)
Coats’ Global reach

1 in 5 garments around the world are held together using Coats’ thread

300 million pairs of shoes are made every year using Coats’ thread

Coats produces enough yarn to knit 65 million scarves a year

Coats Vietnam produces enough thread to go from the earth to the moon and back every day

1 million teabags using Coats’ thread are brewed every 10 minutes

Coats is the 2nd largest and fastest growing global zip manufacturer

Thousands of operations take place every day using Coats’ thread
Coats is proud to be a responsible company. But what does responsible mean?

To be successful now and in the future, we need to not only be mindful of our financial and operational performance, but also to recognise the role our business plays within society, as part of local communities around the world, and the impact we have on the environment.

Paul Forman,
Coats plc
Group Chief Executive
CR/Sustainability

CRSL

Ø ZDHC
CONTRIBUTOR

10+ x better than the average of

Coats Thread Exports
Our Main Responsibility is to Maintain a Good Environment

Safety is 1 Our Number Priority

Top 10% of globally

200+

OSHA®
Occupational Safety and Health Administration
Corporate Responsibility

Our Corporate Responsibility (CR) programme is focused around seven strategic themes

For more information visit: www.coats.com/corporateresponsibility
Our seven strategic themes

**Beyond operational performance, playing a key role within society, as part of local communities around the world**

<table>
<thead>
<tr>
<th>OUR STANDARDS</th>
<th>Operating to the highest ethical business and employment standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUR PEOPLE</td>
<td>Creating the best possible working environment for our employees</td>
</tr>
<tr>
<td>OUR PRODUCTS</td>
<td>Considering the impacts of our products throughout their whole lifecycle</td>
</tr>
<tr>
<td>OUR MANUFACTURING</td>
<td>Using resources as efficiently as we can and minimising our energy and water use</td>
</tr>
<tr>
<td>OUR ENVIRONMENT</td>
<td>Reducing our impact on the environment and minimising the waste we produce</td>
</tr>
<tr>
<td>OUR PARTNERS</td>
<td>Playing a key role in the value chain, linking raw material producers and end users</td>
</tr>
<tr>
<td>OUR COMMUNITIES</td>
<td>Being an active member of our local communities</td>
</tr>
</tbody>
</table>
Our Products

Customer Health and Safety

Our approach

• We consider the direct impacts of our product manufacture, as well as the issues throughout the whole product lifecycle.

• We are increasingly using recycled and sustainable materials in our product development, as well as a higher proportion of recycled material in our packaging.

• We are committed to ensuring the safety of our products. Our aim is to maintain zero incidence of product safety related issues.

Our performance

• Our Restricted Substances List (RSL) is the most comprehensive in the industry and meets the requirements of all the major internationally recognised environmental standards (for example REACH, Oeko-Tex, CPSIA).

• Our Coats EcoVerde ranges of industrial threads and zips are made from recycled polyester.
Our Partners

Ethical and Sustainable Trading

Our approach

• We work with others across the industry to improve efficiencies and implement global standards for ethical trade
• We regularly engage with our customers in managing wider social and environmental issues associated with product manufacture
• Our manufacturing plants are regularly audited by our clients and global branded customers, and we are meeting their ethical trade standards

Our performance

• We are currently rolling out our recently developed supplier code of practice
• 65% of the economic value generated from our products is distributed to our suppliers
• We have developed a tool called StockMatch, which helps our customers effectively manage excess thread inventory
Coats foundation of chemical compliance

1. Find reliable sources
   - Government regulatory
     - EU’s REACH
     - Vietnam’s Ministry of Industry and Trade
   - Industry groups
     - AAFA
     - Accreditation/certification organizations
       - ZDHC, WRAP, STeP
     - VITAS, LEFASO in Vietnam
   - Industry and consumer organizations – Blue Sign
   - Your customers – (The Global brands)
   - Your suppliers
2. Create a “watch list” for all of your chosen sources
   • Join those organizations
   • Subscribe to newsletters, get on email lists
   • Get legal help if needed

3. Either adopt the sources that fit, or use them to make your own list
   • Should represent your key stakeholders

   • Coats footprint requires a comprehensive list
   • Must represent global brands, cover countries and continents
   • Must be standard across all Coats units

   Coats has developed its own chemical RSL and manufacturing RSL
4. Ensuring compliance

- Some Internal methods
  - Self – assessments and self-audits
    » Coats Control Self Assessment and Risk Questionnaire
    » Internal Audit
  - Establish a risk management function – Risk register
  - Establishment of a Supplier Code – the most important part of a procurement process that features compliance

- External support
  - 3rd party audits (customers, industry groups)
  - 3rd party accreditation/certification (mentioned before)
3
Supplier Code roll-out programme

Chương trình triển khai “Chuẩn mực kinh doanh đối với Nhà cung cấp”
4 chapters of the Coats Supplier Code

1. Employment
2. Environmental management
3. Search supply sources responsibly
4. Code of conduct
Chapter 2 – Environmental management

Environmental management

- Effectively resources usage
- Comply with environmental regulations
- Comply with CRSL
- Environmental performance management
Chapter 3 – Search of supply with responsibilities

Comply with all Coats policies

Responsible products and raw material supply

Standards & capability of tracing back to its sources
What this means in Vietnam Ý nghĩa đối với Việt Nam

1. Code is sent to all Coats Phong Phu suppliers
   1. Chuẩn mực này đã được gửi đến các nhà cung cấp của Coats Phong Phú

2. Key suppliers invited to face-to-face workshops
   2. Các nhà cung cấp chủ chốt đã được mời dự hội thảo trực tiếp

3. Follow-up activities to support our suppliers’ ongoing improvement
   3. Các hoạt động giám sát nhằm hỗ trợ các nhà cung cấp liên tục cải thiện để đáp ứng với chuẩn mực của Coats

4. Meeting our standards will be a pre-qualification criteria for new suppliers
   4. Việc đáp ứng các tiêu chuẩn sẽ là tiêu chí sơ tuyển đối với các nhà cung cấp mới
In summary

1. There are many competent sources and resources available and willing to support you – Utilize them
2. Create watch lists to keep up to date on new regulations and changes in your home country and in your export destinations – Adopt a list or make your own RSL
3. Ensure compliance by:
   1. Creating internal controls in your company (self-certifications, self audits, risk management systems, etc.)
   2. Joining an accreditation organization that will support you to become fully compliant
3. **Create your own supplier code or join an existing supplier compliance network**
4. Ask your current and future customers and suppliers what they are doing, and adjust accordingly
Thank you

For more info, contact bill.watson@coats.com
Chemical Management In Esquel

Sept. 2016

Yugao Zhang, Group R&D Director
• **Sustainability in Esquel**
  • Chemical Management Strategy
  • Chemical Compliance
  • Policies for New Chemical Introduction
  • Chemical Incoming Inspection and Testing
  • Certification and Audit
When Esquel was started, we were just making shirts. Over the years, we realized we could do much more. Today, our goal is to make a difference, to our employees, to the local communities, and to the environment.

A stitch at a time, we hope to make the world a better place.

Our Vision
Making a Difference

Our Mission
Fun People Serving Happy Customers
About Esquel
Vertically Integrated Textile and Apparel Manufacturer

Founded in 1978, Esquel supplied over 120 million shirts in 2015 to leading brands around the world – from concept to rack.
A Total Shirt Solution Provider
Offering Different Value-Added Services to Our Customers

At Esquel, we have teams of professionals ranging from research and development, supply chain management, to merchandising and design
Our Global Presence
Brand behind Brands
Diversified Customer Portfolio around the World
Esquel’s 5E Corporate Culture
The Solid Foundation that Guides the Behavior of Our Employees
As a cotton grower and textile manufacturer, we have directly witnessed the environmental degradation accumulated over 40 years of rapid economic development in China.

We respond actively to some of our industry’s biggest environmental challenges, specifically in relation to Energy, Water, Air Quality, chemical and Waste.
The first Esquel Group Sustainability Report was disclosed to public in 2015, which marks our progress in sustainability practices across our global facilities, and reflects our corporate E-culture as well as vision in making impact to the communities in which we operate.
• Sustainability in Esquel
• **Chemical Management Strategy**
• Chemical Compliance
• Policies for New Chemical Introduction
• Chemical Incoming Inspection and Testing
• Certification and Audit
Chemical Management Strategy

- A team dedicated to chemical management and a person in charge
- Chemical used in production and non-production processes should

- Meet the requirements of laws/regulations
- Meet the requirements of customer’s RSL
- Be safe for handling and application
- Meet the technical specification for production processes
• Sustainability in Esquel
• Chemical Management Strategy
• Chemical Compliance
• Policies for New Chemical Introduction
• Chemical Incoming Inspection and Testing
• Certification and Audit
Chemical Compliance

1 Laws and regulations update and compliance evaluation

2 Measures to update regulations and customer requirements

3 Esquel RSL
Chemical Compliance

1 Laws and regulations update and compliance evaluation

- Familiar with all the laws and regulations related to chemical being consumed
  - Legislation and regulations in country/region of operating
  - Export country/region laws and regulations
  - Customer or market specific requirements

- Execute risk analysis on the received chemical information from suppliers
Chemical Compliance

1 Laws and regulations update and compliance evaluation

- **National/Regional laws and regulations**
  - REACH, CPSIA, Japan Law 112, GB18401, ...

- **Industry association regulations**
  - AFIRM RSL, OEKO-TEX100, AAFA RSL, ZDHC MRSL, ...

- **Customer’s RSL**
  - NIKE RSL, HUGO BOSS RSL, VF RSL, PATAGONIA RSL, ...

**Flowchart:**
- **Compliance evaluation**
  - **Updated regulations**
    - **Chemical**
      - Yes: **Continue using**
      - No: **Stop using**

Chemical Compliance

1 Laws and regulations update and compliance evaluation

2 Measures to update regulations and customer requirements

3 Esquel RSL
Chemical Compliance

2 Measures to update regulations and customer requirements

• Analyze and fully understand updated terms and details
• Evaluate all chemicals being used
• Support suppliers in understanding the updates for improvement
• Chemical upgrading or substitution
Chemical Compliance

1 Laws and regulations update and compliance evaluation

2 Measures to update regulations and customer requirements

3 Esquel RSL
Chemical Compliance

3 Esquel RSL

Global Legislation
REACH
CPSIA
California Proposition 65
Japan Law 112...

Industry Association requirements
Customers RSL

Esquel identifies and eliminates the RSL substances

Require suppliers and subcontractors to guarantee the RSL compliance

Esquel Chemical Management System

Esquel products complies with legislations and customers requirements
<table>
<thead>
<tr>
<th>Restricted Substance</th>
<th>Auxiliaries</th>
<th>Dyestuff, pigment, ink</th>
<th>Organic polymers</th>
<th>Natural materials</th>
<th>Blend fibres textile</th>
<th>Mental</th>
<th>leathers</th>
</tr>
</thead>
<tbody>
<tr>
<td>APEO, NPPEO, NPOE, OPPOE, NPOE, OPPOE</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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</tr>
<tr>
<td>Azo-amines</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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</tr>
<tr>
<td>Carcinogenic Dyestuffs and Pigments</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
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<tr>
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<td>Other banned dyestuffs</td>
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<td>Chlororganic carriers</td>
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<td>✓</td>
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</tr>
<tr>
<td>Sb(Antimony)</td>
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<td>✓</td>
<td>✓</td>
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<td>✓</td>
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</tr>
<tr>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
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</tr>
<tr>
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• Sustainability in Esquel
• chemical Management Strategy
• Chemical Compliance
• **Policies for New Chemical Introduction**
• Chemical Incoming Inspection and Testing
• Certification and Audit
Policies for New Chemical Introduction

- Established an IT Approval Management System for chemicals to be introduced into company
- Examine and verify the MSDS to ensure 100% chemical compliance
- Sign Esquel RSL Compliance Statement by new suppliers, and
- Provide Intertek Chemical Smart Screening* report

*Intertek Chemical Smart Screening
Launched in March 2016 for early detection of hazardous chemicals, only a single sample is needed to screen raw materials for around 400 common harmful substances.
Policies for New Chemical Introduction

Supplier Selection Criteria for Sample Request

- Internationally operated company or well known large scale local company
- Good record of environmental protection – should meet local environmental protection law
- Be able to provide complete documents on chemical product and safety, e.g. Product technical instruction, MSDS and testing report
- Confirmation letter to Esquel’s RSL
- For dyestuff, the supplier should be an ETAD member
• Sustainability in Esquel
• Chemical Management Strategy
• Chemical Compliance
• Policies for New Chemical Introduction
• Chemical Incoming Inspection and Testing
• Certification and Audit
Chemical Incoming Inspection and Testing

- Inspect and test every chemical
- Inspect and test every lot
- Only qualified chemical can be used in production.
• Sustainability in Esquel
• Chemical Management Strategy
• Chemical Compliance
• Policies for New Chemical Introduction
• Chemical Incoming Inspection and Testing
• Certification and Audit
Certification and Audit

- Safety label for textile products
- Third-party testing and certification
- Testing more than 400 harmful substances

Certified 9 OEKO-TEX 100 certificates every year, covering all Esquel products from yarn, fabric, shirts to accessories.
Certification and Audit

Sustainable Textile Production (STeP) by OEKO-TEX® is a certification system for the textile chain regarding sustainable manufacturing processes.
Certification and Audit

WHITELIST QUALIFICATION

Compliance with WHITELIST Management System according to GB 18401-2010 for Prohibited aromatic amine
Certification and Audit

Customer’s audit (VF Chem-IQ, NIKE MSI, …)

VF Chem-IQ
Identify the harmful substances for the chemical used in production

NIKE MSI
MSI (Materials Sustainability Index) is a score system to measure the Environmental profile

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<tr>
<th>ITEM</th>
<th>Score</th>
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<td>NIKE ENERGY&amp;CARBON PROGRAM</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>26</strong></td>
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</table>
Certification and Audit

ZDHC

• Actively takes part in Chemicals Stewardship Roadmap 2020, a ZDHC programme, efforts to achieve zero discharge in textile industry

• As the pioneer pilot enterprise, involved in the investigation on the management of top 10 problems of textile chemical and the best solutions

Thank you
Chemical Compliance for the European Market

Jörg Diekmann, Director International Sales, Hohenstein Textile Testing Institute, International OEKO-TEX Association

Bill Watson, Managing Director, Coats Phong Phu

Yugao Zhang, Group R&D Director, Esquel Enterprises Limited
Chemical Compliance for the U.S. Market

Dr. Gamma Cheung, CHEM-IQ, Global Responsible Sourcing, VF Asia Limited

Ben DeVito, Global Sales & Technical Director, Softlines & Toys, TÜV SÜD

Wendy Kan, Product Compliance Manager, Columbia Sportswear

Karen Kyllo, Ph.D., Deputy Vice President, SGS Consumer Testing
HAZARDOUS SUBSTANCE CONTROL (HSC)

CHEMICAL MANAGEMENT
CHEMICAL MANAGEMENT STRATEGY
HOW DOES THE SUPPLY CHAIN IMPLEMENT CHEMICAL MANAGEMENT?
• The supply chain is supportive of chemical management initiatives from retailers, brands, NGOs etc.

• There is a **technical gap within the supply chain** in that factories may not have the appropriate expertise and the capability to support the implementation of chemical management

  • **Knowledge & Know-how**
  • **Identification of Critical Points**
  • **Experience**
Chemical Management takes place at all levels of the supply chain.
• **Enhance technical knowledge** and ability in the textile manufacturing process
  • Concept of chemical management has to be accepted and implemented from top management
  • One leader with chemical and technical knowledge to lead the implementation
  • Identify chemical risks
  • Identify critical control points
CHEMICAL MANAGEMENT CHALLENGES

• Build a chemical inventory to track and record the chemical use in production
  • Inventory all chemicals coming in
  • Identify all chemicals in mixtures and products
    • Need accurate chemical data sheets for all chemicals purchased
    • Need monitored and labelled storage of chemicals
    • Need documentation on how to safely use chemicals
CHEMICAL MANAGEMENT

CHALLENGES

• Enhance **transparency** and **traceability** through greater chemical control
  • Identify chemical risk points along the manufacturing process
    • Develop SOPs to minimize the risk
    • Train employees about the risks
    • Develop system to trace chemicals through the production process
CHEMICAL MANAGEMENT

CHALLENGES

- Fulfill restricted substances regulations
  - MRSL used to prevent chemicals from being in the process stream
  - RSL used to prevent chemicals from being in the final products
  - Random testing in terms of a screening program or other testing programs to verify that the chemical management systems are working
    - Final product
    - Wastewater
    - Air Emissions
CHEMICAL MANAGEMENT

CHALLENGES

• Encourage implementation of best practices to effectively enhance factory management
  • Join training programs that will share best practices
  • Enforce chemical management practices
• Optimize factory management systems to ensure continual improvement
TRAINING TO MEET TECHNICAL GAPS
The supply chain needs the right **capability** and **tools** to implement Chemical Management.

- Training should be
  - Practical
  - Designed to be **process-specific** (such as dyeing & printing, washing and finishing etc.).
  - Allows participants to **assess chemical risk** at each stage of the production.
Chemical Inventory Solution

CHEMICAL INVENTORY SOLUTION

- Guidelines to Developing & Data Tracking
- Chemical Inventory Solution
- Chemical Risk Assessment To Aid Phase Out
- MRSL Compliant?
- CHEMICAL INVENTORY DEVELOPMENT SUPPORT
  - Review chemical formulations by collecting technical data from technical datasheet and MSDS with reference to MRSL.
  - Helps factories in understanding all chemical input to enable factories to define plans for hazardous substances phase out.
  - Encourages supply chain traceability and transparency through tracking key data for chemical management.

CHEMICAL INVENTORY VERIFICATION

- A factory visit to verify if all chemical purchased and usage are properly logged onto the chemical inventory.
- Identify gaps and shortfalls within the chemical inventory and chemical procurement system implemented by the factory.
BENEFITS TO SUPPLIERS AND BRANDS
**TRAINING BENEFITS**

---

**BENEFITS TO MILLS AND FACTORIES**

- **Enhance Technical Competence** - Acquire knowledge and enhance technical competence for performing risk assessments prior to purchasing as well as identifying and avoiding chemical risk during production.

- **Chemical Control** - Facilitate an effective chemical control system at the upstream level to reduce product safety risk at the first step.

- **Continual Improvement** - Encourage the mills and factories to make continual improvement at every stage of manufacturing.

- **Best Practices** – Use acquired knowledge to establish best practices into the factory and make positive changes by strengthening chemical management along the supply chain.
**TRAINING BENEFITS**

**BENEFITS TO BRANDS & RETAILERS**

- **Master Technical Competence in the Supply Chain** - Control of the safe use of chemicals is understood by each member of the supply chain.
- **Product Compliance** - Facilitate product conformity to restricted substances requirements.
- **Traceability & Transparency** - Increase chemical management traceability via tracking and recording making the supply chain transparent.
How to keep up with (ALL) what’s going on.

Ben DeVito
bdevito@tuvam.com
TÜV SÜD in Numbers: Growing from Strength to Strength

- **1** One-stop technical solution provider
- **150** years of experience
- **800** locations worldwide
- **2,200** million Euro in sales revenue 2015
- **22,000** employees worldwide
New Laws and Regulations

Updates to Existing laws and regulations
Key “Take-Aways”

- How to keep yourself informed
- How to look at the regulations: have a plan
- How to forge the proper relationships
How to Keep Yourself Informed

What’s in the news?
1. Updates to CPSIA
2. TSCA Modernization Act
3. Various Local regulations in the USA
4. International

What should my company do now?
How to Look at the Regulations and Have a Plan

What is your plan?

1. Do you have a policy?
2. What are at your trading partners policies?
3. How do the new regulations or changes to regulations match-up against your policies?
4. Can you benchmark your policies?
Forging Strategic Relationships

Labs

Lawyers

Trade organizations

NGOs

Government

Your Retail Trading Partner
### How to Keep Yourself Informed

- For most in the room, Labs can serve as your “hub” of information
- Industry training and seminars, like today
- Internet/Subscriptions
  - Government, Industry, Trade Organizations, New Services

---

**Suppliers**

**Lab**

**Network**

- Industry Groups
- Your retailer
- Internet
Phòng thử nghiệm là gì?

- TÜV SÜD Vietnam Laboratory, One-stop technical solutions in Textile, Garment & Footwear Testing, Inspection, Auditing & Certification
- Enquiries@tuv-sud.vn or +84 08 6267 8507 – Softlines Division
Your Lab - Transactional or Strategic

- Labs have a breadth of expertise
  - Chemist and technicians
  - Product experts

- Labs have a broad perspective
  - Geographic coverage
  - High vantage point

- Labs have value added services
  - Research teams
  - Systems
  - Knowledge services
Summary

Make sure you have a solid ad well documented position

The laws will always change and regulations will also increase

Leverage you trading partners and supply chain – be proactive!
We will keep you informed about new regulations and standards

Sign-up for Consumer Products and Retail E-ssentials, TÜV SÜD’s complimentary newsletter that delivers updates on the latest regulations and standards, at www.tuv-sud.com/e-ssentials.
Contact us today for one-stop quality, safety and sustainability solutions.

Ben DeVito  
Global Sales Support and Technical Manager  
Mobile 978-427-0901  
bdevito@tuvam.com
ABOUT VF

- 520,000,000 units produced annually
- 30+ brands or key business
- 760,000 Styles/Colors
- 74% sourced
- 1,500+ contractor factories
Chemical screening to prevent harmful chemical substances from entering into the product supply chain.
HOW DOES CHEM-IQ WORK?

CIL: Chemical Inventory List
CAP: Corrective Action Plan

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CHEM-IQ<sup>SM</sup> RATING

- Preferred Chemicals (Green Rating)
- Allowed Chemicals (Yellow Rating)
- Prohibited Chemicals (Red Rating)
- Due Diligence Required (Orange Rating)

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*8,027 chemicals screened (As of Oct 17, 2016)
CHEM-iqSM Overview – By Number

8,027 Screened

- Preferred: 56%
- Allowed: 22%
- Prohibited: 7%
- Requiring Due Diligence: 15%

* As of Oct 17, 2016

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POWERFUL BRANDS. POWERFUL PLATFORMS. ONE VF.
CHEMICAL COMPLIANCE FOR THE US MARKET

Wendy Kan
Product Safety Manager, Asia
Columbia Sportswear Company
What is the Importance of Product Compliance?

- Compliance with product and environmental regulations
- Reduce risks to consumer, workers and the environment
- Help protect the company from liability
- Brand enhancement
What are the risks of non-compliance?

- Complaints
- Consumer injuries
- Product returns
- Development, production and delivery delays
- Customs seizure
- Product Recall
- Civil or Criminal Penalties
- Lawsuit
- Loss of sales
- Brand liability
What is the challenge?

• Proliferation of chemical regulations

• Global Compliance

• Increasing Regulatory Complexity
  – Restrictions
  – Labeling
  – Reporting
  – Single window e-filing
What is the challenge?

Enforcement targeting further up supply chain
  • Supply Chain Complexity
  • Material transparency and traceability

Increasing Testing Cost and Duplicate testing
  • CPSIA
  • REACH
  • GB standard
  • KC Mark
Chemical Management Program

**TRACKING**
- Global Regulation Tracking Process setup
- Assigned Person, Documentation
- System set up (ie. Single Window Filing)

**POLICY**
- Bluesign System
- RSL / MRSL
- Chemical Management Policy

**TRAINING**
- Basic Product Compliance / Policy Awareness
- Risk focus

**ASSESSMENT**
- Smart RSL testing
- Higg Index – Convergence of standard for CM
Communication is key

- **Raw Material and Chemical Suppliers**
- **Suppliers and Vendors**
  - **Material/Component Suppliers**
  - **Dye houses, mills, Tanneries**
- **Licensees**
- **Finished Good Vendor**
  - **Subcontractors**

Restricted Substances List (RSL) and Product Safety Manual Communication Flow
Chemical Compliance for the U.S. Market

Dr. Gamma Cheung, CHEM-IQ, Global Responsible Sourcing, VF Asia Limited

Ben DeVito, Global Sales & Technical Director, Softlines & Toys, TÜV SÜD

Wendy Kan, Product Compliance Manager, Columbia Sportswear

Karen Kyllo, Ph.D., Deputy Vice President, SGS Consumer Testing
Concluding Remarks

Nate Herman, Senior Vice President, Supply Chain, American Apparel & Footwear Association
Thank You to Our Sponsors

AmCham Vietnam Exhibitors:

[Logos of sponsors]
Thank You to Our Program Supporters

The Vietnam Trade Facilitation Alliance
Thank you for attending!