

## Monitoring and risk management

Through various assessments and audits, we ensure we are aware of risks in the supply chain, we can monitor and manage them, and report on our approaches and results.

**Country risk assessment** – we identify countries and regions where our products can be manufactured, based on the analysis of human rights risks and risks related to sectors and regions.

**Supplier assessment** – we partner only with suppliers who meet our standards and are committed to continuous improvement. We assess potential suppliers to ensure their sustainability management level is in line with ASICS' requirements. Once established as a supplier, we continually monitor their sustainability performance, including through announced and semi-announced site audits and/or assessment tools such as Sustainable Apparel Coalition's Higg Index. Semi-announced is when the supplier is notified of the period in which a visit will take place, but not the exact date of the audit.

**Internal audits** – these involve on-site inspections, document verification, and employee interviews, carried out by ASICS staff at the supplier's site.

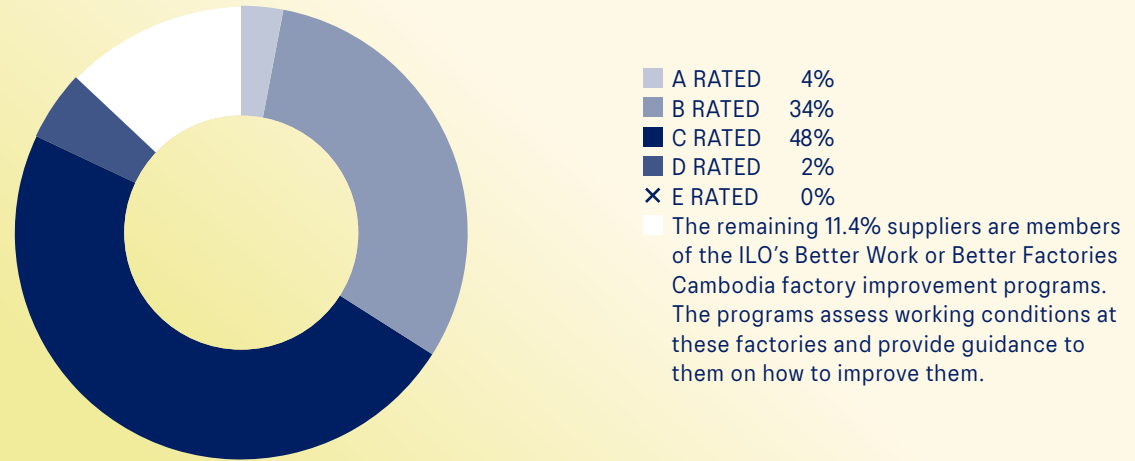
**Commissioned audits** – specialized, accredited third-party monitors who are well-versed in local laws, regulations, culture and languages carry out audits. To ensure the process is consistent and comparable, we use the SMETA 4 Pillar audit tool (Sedex Members Ethical Trade Audit).

**Partner assessments** – ILO Better Work has conducted our partner audits and improvement plan follow-ups since 2014. Better Work conducts an assessment once a year. Based on the findings, factories develop and implement an improvement plan.

Suppliers and their subcontractors can also demonstrate compliance levels through self-assessments. Information from these feeds into our other assessment forms and risk analysis.

Our assessments and audits use 17 criteria to evaluate our Tier 1 suppliers' sustainability performance. We award each supplier an overall rating from A to E, based on its performance. Audit criteria covering forced labor, child labor, abuse and harassment, wages, discrimination and hours of

TIER 1 supplier ratings 2020



YEAR	INTERNAL ASICS AUDIT	COMMISSIONED AUDITS	PARTNER AUDITS	TOTAL
2020	16	19	17	52
2019	31	57	29	116
2018	23	46	24	93
2017	66	31	16	113
2016	62	46	14	122

work are defined as zero tolerance criteria. Non-compliance within these areas is taken very seriously and can result in immediate business termination. Environmental criteria include permissions from local government, compliance, implementation of impact-lowering programs, and calculation of various contributors, such as wastewater, emissions and energy consumption.

We periodically review the level of compliance of our contracted suppliers with our sustainability standards. Depending on the performance level of the relevant facilities, assessment cycles range from annual (C level) to every other year (B and A rating). The overview below shows how our suppliers did in 2020.

In 2020, due to the spread of COVID-19 infection, we prioritized mitigating higher risks and ensuring factories make corrective action plans instead of repeating audits. In this way, we strategically reduced the number of audits. We also made sure that we complied with the Sustainable Sourcing Code of The Tokyo Organising Committee of Olympic and Paralympic Games. We monitored approximately 46% of our Tier 1 factories. This includes the assessments conducted by Better Work.

## 2020 TARGET

All Tier 1 supplier factories to meet ASICS C-Level or above.

All Tier 1 strategic partner factories to meet ASICS B-Level or above, and self-report via Higg Facility Social Labor Module (Higg FSLM).

All Tier 1 ASICS A- and B-level factories to be trained in self-governance on CSR in combination with ASICS and/or third-party verification.

All nominated Tier 2 suppliers to meet ASICS C-level or above.

## 2023 TARGET

All 100% Tier 1 supplier factories to meet global CSR standards and ASICS CSR standards .

All Tier 1 strategic partner factories to meet ASICS B-Level or above.

Expand the scope of self-governance.

All nominated Tier 2 suppliers to meet ASICS C-level or above

## 2020 RESULT

98% Tier 1 supplier factories meet ASICS C-Level or above.

100% Tier 1 strategic partner factories meet ASICS B-Level or above.

Adopted a self-governance method that utilizes SAC's Higg FSLM.

100% nominated Tier 2 suppliers meet ASICS C-level or above.

## ACTION PLAN ONWARD

Strengthen the response to forced labor under the respective Modern Slavery Act in each sourcing country.

Continue to hold seminars in the key production countries.

Share best practices across suppliers.

Develop incentive programs to encourage incorporation of sustainability factors.

Promote conversion between industry standard tools and our sustainability standards.

Expand the scope of our training course to Tier 2 suppliers.

Improve supply chain transparency in response to human rights and environmental risks.

Expand the disclosure target of the factory list to nominated Tier 2 suppliers.



## Addressing non-compliance

When our assessments identify non-compliance issues, we categorize them as major or minor. This is based on the severity of the violation and the level of risk to workers. We then take action as appropriate. Actions can include terminating the business relationship in the case of serious and persistent violations, reviews of future orders, third-party investigations, and formal warnings.

When minor non-compliances were identified, we begin a remediation period of three months. During this time, the supplier is expected to take corrective measures. When necessary, ASICS staff or partners support the remediation process, for example by providing training and resources.

In 2020, 66% of non-compliance was related to health and safety. We distributed health and safety guidelines and provided questionnaires regularly for strategic factories to conduct self-assessments of their actions. To mitigate harm and improve social and human rights performance in the supply chain, we provide supplier training, followed up by Corrective Action Planning (CAP).

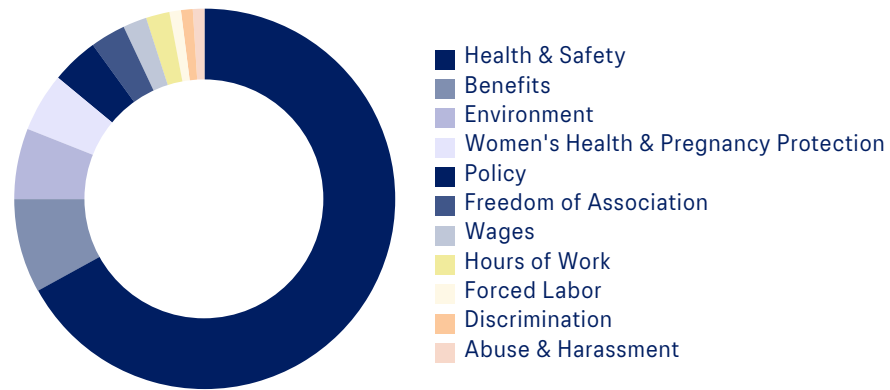
## Training and Capacity Building

We provide regular training to help our Tier 1 and Tier 2 suppliers become resilient and sustainable. In the training, suppliers can gain the knowledge and understanding necessary to implement new standards, legal requirements, and structured management systems.

They also become more aware of industry best practice. We will continue capacity building sessions for our suppliers in our key sourcing countries, such as Vietnam and Indonesia.

In 2020, we provided a CSR virtual seminar in collaboration with the ILO's Better Work Vietnam program. This seminar covered the Vietnam Labor Law – a new version of 2019 and health and safety for COVID-19. More than 28 of our suppliers attended.

## Non-compliance areas



*“We deeply appreciate the valuable assistance in environmental and energy management and upholding human rights from ASICS. The seminars introducing the concept and implications of the Higg index help us to further understand the importance of these indexes for the sustainable development of our organization, whilst annual third-party audits can provide valuable information for the improvement. We are now targeting to execute and expand the project improvements, and to keep moving positively. We will work with ASICS for a greener future.”*

**Harry Lu, Sustainability Development Specialist**  
 Pouyuen Vietnam Company Limited

## **Reporting and Transparency**

Continuously increasing transparency not only helps us understand the risks in our supply chain, but also helps our suppliers build a better working environment and increase their productivity.

The main platform we use to provide supply chain transparency is SAC's Higg Index suite of tools. The connected modules enable full transparency of our activities throughout our value chain, from manufacturing to retail and beyond. In 2020, we collected the Higg FEM (Facility Environmental Module)/FSLM (Facility Social Labor Module) data from our strategic suppliers. The information we received covers 74% of our volume.

The potential impact of Tier 2 suppliers is considerable, as this is the part of the supply chain responsible for fabric dyeing and other industrial processes involving the use of potentially harmful chemicals and a relatively large amount of water and energy. Therefore, we will extend our efforts to improve transparency to our Tier 2 factories.

## **Due diligence and risk assessment**

The ASICS Group strongly condemns the use of forced or involuntary labor. We take a zero-tolerance approach to this issue, and we deploy a rigorous supply chain management program to ensure compliance throughout our supply chain. We monitor high risk areas, such as the cotton supply chain, and have additional mitigation measures in those areas, like our work with the Better Cotton Initiative.

Since 2017, we have published our annual [ASICS Group Modern Slavery and Transparency Statement](#). It sets out the progress we made and the steps we have taken with regards to modern slavery and human trafficking in our business and supply chain. The 2020 statement will be available on our website as of June 2021.

In 2018, Transparentem, an NGO dedicated to improving working conditions in supply chains, contacted 23 international brands with apparent ties to five Malaysian garment factories that had indicators of forced labor.

One of the factories, Honsin, was an ASICS supplier.

ASICS and the other US brands using this factory carried out an in-depth assessment, revealing that some migrant workers had paid to gain employment. Follow-ups resulted in the factory repaying all the recruitment fees to the employees. ASICS has stopped working with the factory in question. For more information about this case, please visit the [Transparentem website](#).

### **Responsible recruitment**

ASICS employs nearly 9,000 people directly, and there are many more thousands working throughout our supply chain. Ensuring responsible recruitment practices in our supply chain involves broad policies as well as specific actions. Following the in-depth assessment of Honsin, ASICS signed the [AAFA/FLA Apparel & Footwear Industry Commitment to Responsible Recruitment](#). By signing, ASICS commits to the fair treatment of workers in the supply chain.

We updated ASICS' Policy of Engagement, which is a code of conduct for suppliers, to include that factories need to abide by the Employer Pays Principle, in particular when hiring migrant workers. The Policy sets out clear consequences for manufacturing partners that violate this principle.

The Policy of Engagement is provided in the languages of our major sourcing countries. Factories need to sign our Policy of Engagement before we sign a manufacturing agreement.

## **Our responsible recruitment commitment**

**We commit to work with our global supply chain partners to create conditions so that:**



Workers shall not bear cost for employment such as recruitment fees or other.



Workers retain control of their travel documents and have full freedom of movement



All workers are informed of the basic terms of their employment before leaving home



### **Fair wages**

ASICS supplier audits include a detailed review of wage systems. Workers should be fully and fairly compensated. Compensation (including secondary and other benefits) should be sufficient to meet basic needs, as well as provide some discretionary income. ASICS recognizes the issues around fair wages in our industry, including but not limited to a lack of consensus on living or fair wage definitions, limited influence of brands over worker salaries especially when factories produce for multiple brands and the need for consensus-building towards the definition of a fair wage framework. Combined with the right on collective bargaining and freedom of association, we see fair wages as ongoing priority in our industries supply chain.

### **Freedom of association and collective bargaining**

Our Policy of Engagement requires business partners to recognize and respect the employees' right to organize and join associations by their own choice, and to bargain collectively. In collaboration with Better Work Programme, it promotes dialogue between management, workers and trade unions through Performance Improvement Consultative Committee (PICC).

### **Child labor**

ASICS forbids the use of child labor in facilities contracted to make our products. ASICS Policy of Engagement requires that business partners shall not employ any persons who are younger than 15 years old, or who are younger than the age for completing compulsory education in their country of employment where such age is equal to or higher than 15. No child labor was found at our outsourced production factory in 2020.

### **Grievance mechanism**

We introduced a grievance mechanism in 2019 for Tier 1 and Tier 2 factories with migrant workers and those related to the Olympic and Paralympic Games Tokyo 2020. In each factory, posters are displayed and contact information posted on bulletin boards in the employees' native language. There were two reports from workers in 2020, detailing harassment and overwork cases. We worked closely with our suppliers to resolve them. The mechanism is conducted in partnership with the Global Alliance for Sustainable Supply Chain (ASSC).

*“The COVID-19 crisis is having a devastating effect on workers and employers. The symposium in which ASICS participated highlighted the differences in the crises faced by different industries and the characteristics of their responses, with a special focus on the garment industry. As exemplified by the “Better Work” and “Call to Action” to address the economic disruption and threat to livelihoods caused by the global pandemic, sector-wide collaboration and social dialogue to sustain businesses and protect workers can lead to better solutions and help achieve the Sustainable Development Goals. We look forward to continuing our collaboration with ASICS.”*

**Mr. Shinichi Takasaki**  
 Director, International Labour  
 Organization (ILO) Office for Japan

**Engaging with partners for sustainability**

As a global brand, we play a highly influential role in our supply chain. We take this role very seriously. In collaboration with a wide range of NGOs and other stakeholders, we are promoting responsible procurement during COVID-19, ensuring human rights, and developing industry alignment common sustainability standards.

Founded by the International Labour Organization (ILO) and the International Finance Corporation (IFC), the Better Work Programme improves labor standards and competitiveness in global supply chains. ASICS has been a partner of Better Work (BW) and Better Factories Cambodia (BFC) since 2014, collaborating on monitoring and raising standards in our supplier factories in Cambodia, Vietnam and Indonesia.

In 2020, the ILO Office for Japan and the Ohara Institute for Social Affairs, Hosei University co-organized a virtual event, the “33rd Symposium on International Labour Issues: Toward a better future of work after the COVID-19 crisis – Sectoral response and social dialogue” with 160 participants.

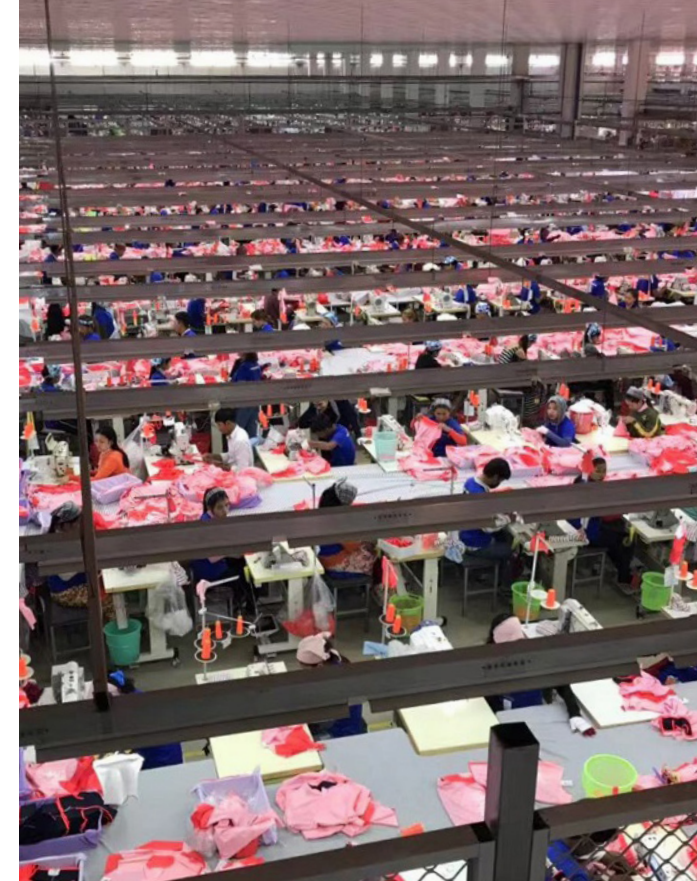
We have actively worked with the *Social & Labor Convergence Program* (SLCP) to develop a medium-term deployment plan for our supply chain. The aim is to reduce duplication of industry audits and improve the working environment for our supply chain.

In 2019, ASICS became a member of the *Global Alliance for Sustainable Supply Chain (ASSC)*. ASSC is an NGO that works with businesses, labor unions, and civil society to safeguard human rights and workers’ rights in supply chains. Working with ASSC, we have launched initiatives to address migrant worker issues in Japan and other high-risk countries. Our activities have included setting up a grievance mechanism through which workers can raise concerns.

In 2020, as a member of ASSC, ASICS took part in the formulation of the *Tokyo Declaration* on the responsible acceptance of foreign workers in Japan.

Our work with the ASSC also enables us to contribute to promoting responsible employment for migrant workers.

The *Japan Platform for Migrant Workers towards Responsible and Inclusive Society (JP-MIRAI)* is a platform of



cooperation with various active stakeholders who have agreed with JP-MIRAI’s Code of Conduct. Stakeholders include private companies, government-affiliated organizations, municipalities, lawyers, and research institutes.

ASICS engages with several unions worldwide. In 2020, we joined several meetings held by Japanese industrial union *UA ZENSEN* to discuss the key matters such as COVID-19 and specific cases of some factories.

ASICS is a gold member of the *World Federation of the Sporting Goods Industry (WFSGI)*, the global body for the sporting goods industry. As an active participant in its sustainability committee, we attend committee meetings as well as the WFSGI World Manufacturers Forum, where sustainability in manufacturing is a key focus area.