

OUR APPROACH TO OUR SUPPLY CHAIN

Supply chain

We build transparent, fair and ethical partnerships and empower the people in our value chain.

Upholding fair business practices and improving labor conditions across our supply chain are responsibilities we take very seriously. To continuously raise and safeguard standards, we're committed to working in close partnerships with our suppliers, their workers and other supply chain stakeholders.

We conduct our corporate activities on the basis of clear codes of conduct based on internationally recognized standards and conventions. We seek to work only with business partners who share our commitment to sustainability and fair labor practices.

Supply chain management: compliance and commitment

Our supply chain management program is based on the principle of compliance when needed, commitment where possible.

As a minimum, our suppliers must comply with our own codes and policies as well as all relevant local and international regulations. But where possible, we encourage our suppliers to move beyond compliance

and commit to continuously raising standards through training and capacity building, in ongoing, open partnership with ASICS, labor organizations and other industry stakeholders.

The program consists of four building blocks: Monitoring and Risk Management; Governance and Transparency; Training and Capacity Building; and Stakeholder Engagement.

Influence and responsibilities

More than 150 direct, Tier 1 suppliers in more than 20 countries provide us with the facilities, expertise and other resources that allow us to bring the best products to our customers. Many of our Tier 1 suppliers themselves have an extensive supply chain, connecting the ASICS Group indirectly with many more operations and businesses worldwide.

As a major global sporting goods brand, we have significant influence on the suppliers in our supply chain. We recognize that this role and responsibility extends even to the areas where we have no direct relationship. Through our partnership approach, we aim to help improve standards not just among our direct suppliers, but in all areas where our business has influence.

Compliance		Commitment	
1 Monitoring and Risk Management	2 Governance and Transparency	3 Training and Capacity Building	4 Stakeholder Engagement
<ul style="list-style-type: none"> › Country Risk Evaluation › Supplier Assessment Tools › Audit Follow Up/ Corrective Action Plan (CAP) › Supplier Monitoring › Issue and Crisis Management 	<ul style="list-style-type: none"> › Supplier Contracts and Agreements › Supplier Standards, Guidelines and Manuals › Corporate Codes/ Policies › Data Management and Systems › Internal/External Communication 	<ul style="list-style-type: none"> › Supplier Training › Collaboration around Efficiency and Productivity › Business Integration 	<ul style="list-style-type: none"> › Industry Collaboration (SAC, WFSGI, Better Work) › Open and Constructive Stakeholder Dialogue (unions, NGOs, media) › Global (public) Sustainability Report

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Monitoring our supply chain

When we select any new footwear, apparel or accessories supplier, we assess their social and environmental sustainability performance against ASICS' standards before engaging in a business relationship.

Once a formal business relationship is established with a supplier, we continuously monitor the supplier's sustainability performance and periodically assess their facilities. We conduct three types of assessments within the ASICS supply chain: internal, commissioned and partner audits.

Internal audits

ASICS' compliance auditors conduct on-site inspections, verify documentation and interview supplier management. They provide detailed explanations of ASICS' policies, identify issues and plan corrective actions through discussions with management.

Commissioned audits

This type of audit is carried out by specialized, accredited third-party monitors who are well versed in local laws, regulations, culture and languages. They can gather information that is otherwise hard to obtain through an internal audit, for example through worker interviews in their local language.

Partner audits

These are audits conducted with ASICS' suppliers as part of our collaboration with multi-stakeholder initiatives. ILO Better Work has conducted our partner audits and improvement plan follow-ups since January 2014.

In addition to the audits, suppliers and their subcontractors can demonstrate compliance levels through self-assessments. Information from these feeds into our other assessment forms and risk analysis.

Self-assessments increase supplier awareness of supply chain issues and ASICS' standards. In future, we will link supplier self-assessments to commitment-based self-management using industry collaborative tools such as the SAC Higg Index, in combination with external validation of data.

Audit criteria and supplier ratings

Our assessments and audits use 17 criteria to evaluate our Tier 1 suppliers' sustainability performance.

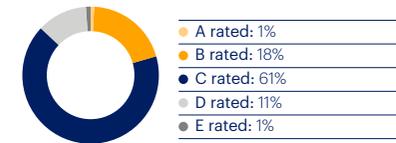
Each criterion is scored on a five-point scale, from 1 (below standard) to 5 (best practice). Audit criteria covering forced labor, child labor, abuse and harassment, wages, discrimination and hours of work are defined as zero tolerance criteria, and we act strongly in cases of non-compliance within these areas.

We award each supplier an overall rating from A to E, based on its performance against the 17 criteria. The table below shows how our suppliers rated in 2017 compared with previous years.

Year	Internal ASICS audit	Commissioned audits	Partner audits	Total
2014	93	34	5	132
2015	80	52	7	139
2016	62	46	14	122
2017	66	31	16	113

Data on 2014 tracked from April 1st until December 31st 2014. 2015, 2016 and 2017 data is based on calendar year.

Tier 1 supplier ratings 2017



The remaining 8% suppliers are members of the factory improvement program of Better Work or Better Factories Cambodia provided by ILO. To raise the level of working conditions, the factories are receiving assessments and advice from the programs. We rate the factories under those programs as C level.

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Addressing non-compliance

When our assessments identify non-compliance issues, we categorize them as major or minor according to the severity of the violation and the level of risk to workers, and impose sanctions accordingly. These range from terminating the business relationship in the case of serious and persistent violations, to reviews of future orders, third-party investigations and formal warnings. Zero tolerance issues include child labor, forced labor, abuse and harassment and discrimination.

When minor non-compliance issues are identified, we begin a remediation period of three months, during which the relevant supplier is expected to take corrective measures. When necessary, ASICS' staff or partners support this remediation process, for example by providing training and resources.

Tools for transparency

Transparency regarding our supply chain impacts is vital, both for ASICS and for our external stakeholders. To improve transparency of information, we have introduced new tools and improved internal systems in order to give us more insights into our supply chain management.

One example is Schneider Electric's EcoStruxure™ Resource Advisor (RA), our cloud-based sustainability performance management system. We use this tool to track our global operations' energy, water and waste data (see page 22), and since 2016 we expanded it to include supply chain management data from our footwear Tier 1 suppliers.

As well as using technical tools, we also gather information about our supply chain performance through industry bodies such as the Sustainable Apparel Coalition, and through NGO partners such as ILO Better Work.

2017 factory disclosure

In October 2017, in a major step forward in supply chain transparency, we published our full list of direct Tier 1 suppliers for the first time. The list covers key Tier 1 suppliers in 19 countries responsible for the manufacturing of ASICS, ASICS Tiger and Onitsuka Tiger products; footwear, apparel, accessories and equipment. Together, they account for more than 90% of our global volume of product manufactured annually.

Download the full list

→ https://corp.asics.com/en/csr/partnering_with_our_supply_chain/transparency

Expanding our audit scope

In 2016, we expanded our audit scope to cover both Tier 1 and Tier 2 suppliers. We have now covered 100% of footwear nominated Tier 2 suppliers.

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 potentially harmful chemicals and a relatively large water and energy use. Auditing Tier 2 also helps us ensure compliance around critical issues such as human rights throughout our supply chain.

Actively managing these facilities is a crucial step toward understanding our overall impacts, and helping our business partners improve standards and performance.

OUR APPROACH TO OUR SUPPLY CHAIN CONTINUED

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Supply chain management: responsibilities, procedures and policies

Along with our global CSR and sustainability division, several other departments, procedures and policies play a role in making sure our operations are safe, ethical and sustainable.

Production and sourcing divisions

Our production and sourcing divisions make a major contribution to building understanding of our supply chains and improving the performance of our manufacturing partners. Because these teams work closely with our supplier partners, they are ideally positioned to help with monitoring, raising issues, and identifying opportunities and training requirements.

Staff training

To make sure our supply chain management work is as coordinated and effective as possible, we carry out regular cross-divisional training and awareness-raising sessions around supplier engagement and assessment. Sharing information in this way allows us to form joint action plans, mitigate challenges, improve future performance and make better business decisions regarding our suppliers.

Country risk assessments

We carry out a country risk assessment prior to entering any new sourcing country, in collaboration with our CSR & Sustainability Division and relevant internal and external stakeholders. Analysis of human rights risks and particular industry/sector and geographical risks forms an integrated part of this risk analysis. Based on the country risk assessment, a country and thus all facilities in that country can be restricted to be used for ASICS production.

Supplier assessments

Before entering into a partnership agreement with any new supplier, we assess their social and environmental sustainability performance against ASICS Human Rights and Safe and Ethical Standards. We only partner with suppliers who meet our minimum standards. We continue to audit suppliers over the course of our partnership to ensure standards remain high and in line with ASICS' requirements.

Policies and guidelines

Our corporate activities are guided by clear codes of conduct based on internationally recognized standards and conventions.

All of our suppliers and business partners must comply with our Code of Conduct and our Policy of Engagement. We also have a separate Environmental Policy that covers issues related to environmental management, human health and safety.

Suppliers must understand and acknowledge these standards and are formally obliged to meet them. We seek to work only with business partners who share our commitment to sustainability and fair labor practices.

We continuously improve the audit functions and internal controls of our corporate management. We also encourage employees and business partners to report code or policy violations using our confidential, anonymous whistleblowing services. This allows us to detect the first signs of wrongdoing quickly and carry out corrective measures without delay.

For more information and to download our policies

→ <http://corp.asics.com/en/csr/our-approach/governance-and-policies>

Modern slavery due diligence and risk assessment

ASICS does not tolerate modern slavery in our supply chain in any form. We are committed to eradicating all forms of modern slavery from every part of our supply chain. This extends even to the areas of the supply chain where we have no direct relationship. We do this work both independently, and in collaboration with other stakeholders within and outside the sporting goods industry.

To ensure due diligence, we have robust policies and procedures in place to assess the risk of human rights abuses and forced labor, both in the selection and management of supply chain partners and in our selection of potential sourcing countries.

In 2017, ASICS released a public statement in response to the launch of the UK's Modern Slavery Act.

To read and download the statement

→ http://www.asics.com/gb/en-gb/modern-slavery-act/trafficking_statement.html

To read and download the statement related to The California Transparency in Supply Chains Act of 2010 (SB657)

→ <http://www.asics.com/us/en-us/california-laws>

OUR APPROACH TO OUR SUPPLY CHAIN CONTINUED

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Training and capacity building

We provide training for our Tier 1 and Tier 2 suppliers so that they can continuously improve labor and environmental performance over time.

Through training, we give our suppliers the knowledge and understanding necessary to implement new standards, legal requirements and structured management systems, as well as raising awareness of industry best practice.

Training also helps suppliers to avoid or improve compliance issues, and develops better communication between workers and employers. This ultimately improves both the wellbeing of staff and the suppliers' quality and productivity.

Our supply chain monitoring and rating system identifies training needs in the different regions where our products are manufactured. We carry out training in collaboration with independent stakeholder partners such as ILO Better Work.

In 2017, we provided two capacity-building sessions for suppliers. These covered a range of subjects including supervisory skills, fire safety, compensation and benefits, social compliance, and the rights and responsibilities of workers and unions.

We made additional capacity building sessions available to suppliers as part of their participation to the ILO Better Factories Cambodia program or ILO Better Work (Vietnam, Indonesia).

“As members of the ASICS garment supply chain, we do everything to satisfy ASICS' high standards, meet consumer needs, and follow ASICS DNA.

Great thanks to ASICS for conducting and encouraging environmental protection and well treated labor. This helps us improve and to have a more sustainable base, to grow with ASICS and win respect from our employees, their families, and society.

Thanks to ASICS for giving us the right working direction and production opportunities, so that we can have stable orders coming from ASICS and have more chances to take care of local labor.”

WINNING SPORTSWEAR CO., LTD.
an apparel factory in Vietnam supplying ASICS

Shanghai and Guangzhou, China

- › Occupational health and safety
- › Latest China labor law updates
- › Chemical safety and environmental management

85

Participants attended

51

Suppliers



Internal CSR training at WINNING SPORTSWEAR CO., LTD. an apparel factory in Vietnam supplying ASICS.

Jakarta, Indonesia

- › Grievance systems management
- › Occupational health and safety
- › Management, worker and workers representatives relations
- › ASICS Compliance Guideline Training

18

Participants attended

8

Suppliers



Staff of WINNING SPORTSWEAR CO., LTD. attending the training provided by Better Work Vietnam.

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NGO and industry partnerships

To help raise supply chain sustainability standards throughout our industry, ASICS engages and partners with a wide range of NGOs and other industry stakeholders.

Our NGO collaborations range from partnerships to raise supplier standards through training and capacity building, to projects designed to ensure human rights responsibilities are respected in the planning of large sports events.

Through our industry associations, we partner with other brands to develop industry alignment around common sustainability standards, in consultation with labor unions and NGOs in manufacturing regions.

China Textile Federation forum

In 2017 the China Textile Federation hosted a forum on textile manufacturing sustainability involving a range of stakeholders including NGOs, suppliers, and industry bodies. ASICS was invited to the forum to share its approach on supply chain management.

ILO Better Work Program/Better Factories Cambodia

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 2017, we collaborated with ILO on several factory-level activities, including regional and country buyer forums as well as knowledge sharing around industry-wide human rights activities.

The Institute of Public & Environmental Affairs (IPE) Corporate Information Transparency Index (CITI) meeting

IPE raises standards of waste water management in Chinese manufacturing facilities, with a particular focus on dyeing houses. At the annual CITI meeting in October 2017, ASICS was ranked in the Top 30 within the index as a result of its collaboration, communication and transparency with IPE.

Oxfam

ASICS has been a signatory of the Freedom of Association (FOA) protocol in Indonesia since 2011. As part of this we continue to update and communicate with Oxfam in the region. In 2017 ASICS took part in a survey to monitor FOA protocol implementation among our suppliers, reporting the results to Oxfam.

Sustainable Apparel Coalition (SAC)

As a founding member of SAC, we have been closely involved in the organization's efforts to align industry sustainability standards at a global level. In 2017, ASICS actively engaged suppliers to help them integrate the Higg index into their systems.

Unions

ASICS engages with several unions worldwide. In 2017, ASICS communicated with IndustriALL Global Union, which represents 50 million workers in 140 countries, about our supply chain activities. We also joined several meetings held by Japanese industrial union UA ZENSEN to update a key issue resolution.

The World Federation of the Sporting Goods Industry (WFSGI)

ASICS is a gold member of the WFSGI, the global body for the sporting goods industry. As an active participant to its sustainability committee, we take part in several of its committee meetings as well as the WFSGI Manufacturing Forum, where sustainability in manufacturing is a key focus area. In 2017 we contributed to several WFSGI sustainability position papers.

“We are delighted to inform you that the Sabrina factory in Cambodia has been confirmed as one of the first factories to achieve Better Work Stage II status.

This is both a landmark moment and a not insignificant achievement as it required the factory to consistently demonstrate:

- › high levels of compliance,
- › a mature level of social dialogue,
- › effective management systems; and
- › a commitment to learning.

We hope that we can increase the suppliers which achieve Better Work Stage II status in cooperation with you.”

Juliet Edington

Business Programme Manager at ILO Better Work