



OUR APPROACH TO OUR 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 seriously. To continuously raise and safeguard standards, we're committed to working in close partnership with our suppliers, their workers and other supply chain stakeholders.

We conduct our corporate activities on the basis of a clear code 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.

Influence and responsibilities

More than 150 Tier 1 suppliers in 22 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.

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. Where possible, we encourage our suppliers to move beyond compliance and commit to continuously raising standards through training and capacity building, in ongoing partnership with ASICS, labor organizations and other industry stakeholders.

The program has four pillars: Monitoring and Risk Management; Governance and Transparency; Training and Capacity Building; and Stakeholder Engagement.

Compliance		Commitment	
<p>1</p> <p>Monitoring and Risk Management</p> <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 	<p>2</p> <p>Governance and Transparency</p> <ul style="list-style-type: none"> › Supplier Contracts and Agreements › Supplier Standards, Guidelines and Manuals › Corporate Codes / Policies › Internal / External Communication 	<p>3</p> <p>Training and Capacity Building</p> <ul style="list-style-type: none"> › Supplier Training › Collaboration around Efficiency and Productivity › Business Integration 	<p>4</p> <p>Stakeholder Engagement</p> <ul style="list-style-type: none"> › Industry Collaboration (SAC, WFSGI, Better Work) › Open and Constructive Stakeholder Dialogue (unions, NGOs, media) › Sustainability Report



OUR APPROACH TO OUR SUPPLY CHAIN CONTINUED

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 we establish a formal business relationship 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 and employees. They provide detailed explanations of ASICS' policies, identify issues and plan corrective actions through discussions with management.

Commissioned audits

Commissioned audits are carried out by specialized, accredited third-party monitors who are well versed in local laws, regulations, culture and languages as well as the ASICS Policy of Engagement and Code of Conduct. They can gather information that is otherwise hard to obtain through an internal audit, for example through worker interviews in their local language.

To ensure our auditing process is consistent and comparable, we use a standardized tool created by the Supplier Ethical Data Exchange (Sedex). SMETA (Sedex Members Ethical Trade Audit) is an open-source audit methodology tool that encompasses all aspects of responsible business practice, covering Sedex's four pillars of labor, health and safety, environment and business ethics.

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 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 those of the SAC Higg Index, in combination with external verification and validation of data.

At the end of 2018, the SAC launched their Facility Social and Labor Module (FSLM), which will allow us to align the self-assessments of our suppliers on a larger scale and benchmark their performance internally and with their industry peers in various countries. Together with the Facility Environmental Module (FEM), this will enable us to gather more data from our suppliers in the most efficient way.

For more about FEM and FSLM

→ see page 30

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. Non-compliance within these areas is taken very seriously and can result in immediate business termination.

We award each supplier an overall rating from A to E, based on its performance against the 17 criteria. The graph shows how our suppliers rated in 2018.

Tier 1 supplier ratings 2018



The remaining 11% suppliers are members of the ILO's Better Work or Better Factories Cambodia factory improvement programs. The programs assess working conditions at these factories and provide guidance to them on how to improve them. We give those participating factories an initial rating of C, but over time most of those factories reach a B level.

Year	Internal ASICS audit	Commissioned audits	Partner audits	Total
2015	80	52	7	139
2016	62	46	14	122
2017	66	31	16	113
2018	23	46	24	93

OUR APPROACH TO OUR SUPPLY CHAIN CONTINUED

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 take action as appropriate. 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.

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

We aim to continuously improve transparency regarding our supply chain impacts. To achieve this, we have introduced new tools and improved internal systems that provide insights into our supply chain management.

The main platform we use to provide supply chain transparency is the SAC's Higg Index suite of tools (see pages 30 and 36). The information we gather from these tools will in the future be linked to product-based performance evaluation in the Higg Product Module as well as to our own performance in the Higg Brand and Retail Module. This will enable full transparency of our activities throughout our entire value chain, from manufacturing to retail and beyond.

As well as using technical tools, we also use our membership of and involvement in industry bodies such as SAC and NGO partners such as ILO Better Work to gather information about our supply chain performance and best practices.

2018 factory disclosure

We disclosed our list of Tier 1 factory suppliers for the first time in 2017. This list is updated annually to publicly list the most recent overview of suppliers producing for ASICS. In the 2018 update included the addition of a number of new strategic suppliers to the brand.

The list covers key Tier 1 suppliers in 22 countries responsible for the manufacturing of ASICS, ASICSTIGER and Onitsuka Tiger products; footwear, apparel, accessories and equipment. Together, they account for more than 90% of our global volume of products 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. As of 2018, we have 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 suppliers 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.



Supply Chain

OUR APPROACH TO OUR SUPPLY CHAIN CONTINUED



Supply Chain

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 deepen our understanding of the supply chain through regular meetings with the CSR & Sustainability Department. These teams work closely with our suppliers, raising issues and identifying opportunities and training requirements to improve their sustainability performance.

Country risk assessments

We carry out a country risk assessment prior to entering any new sourcing country, in collaboration with our CSR & Sustainability Department and relevant internal and external stakeholders. The assessments include analysis of human rights, industry/sector and geographical risks.

Supplier assessments

Before entering into a partnership agreement with any new supplier, we assess their social and environmental sustainability performance against the ASICS Policy of Engagement. We partner only with those suppliers who meet our minimum standards and are committed to continuous improvement. We continue to audit suppliers during our partnership and confirm that the CSR management level is in line with ASICS' requirements.

Policies and guidelines

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

All of our suppliers and business partners must comply with our Policy of Engagement based on our Code of Conduct. 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.

In 2019, our Policy of Engagement will be updated to reflect our continuously evolving ambitions and expectations to suppliers. This will include specific updates relating to forced labor and migrant workers as part of the Commitment to Responsible Recruitment.

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 any form of slavery, and we are committed to eradicating it from our supply chain. This extends to areas of the supply chain where we have no direct relationship. We do this 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 2018, we reviewed and updated our public statements in response to the UK Modern Slavery Act and California Transparency in Supply Chains Act (SB657).

To read and download the statement, visit

—> www.asics.com/gb/en-gb/modern-slavery-act/trafficking_statement.html

To read and download our response to The California Transparency in Supply Chains Act of 2010 (SB657), visit

—> <https://www.asics.com/us/en-us/california-laws>

OUR APPROACH TO OUR SUPPLY CHAIN CONTINUED

Responsible recruitment

The manufacturing industries in many of the countries in which our supplier factories are based depend on large numbers of migrant workers. The use of migrant workers in factories is associated with an enlarged risk of forced labor and other human rights abuses. This issue has gained increasing global attention in recent years, and governments and industry bodies are working to address the problem on a regional and individual country level.

In 2018, the Non Governmental Organization (NGO) Transparentem found that a factory used by ASICS and other sporting brands as a Tier 1 supplier employed migrant workers under conditions that indicated forced labor risk. This included non-compliances with regards to payments to workers. We met with the NGO to understand the issues identified and promptly started corrective actions with the factory.

Following this, we joined over 120 other brands as signatories of the Commitment to Responsible Recruitment. The goal of the initiative is to promote an industry-wide approach to responsible recruitment and ethical employment practices for all workers, with a special focus on migrant workers.

At ASICS we have zero tolerance for forced labor or any other human rights abuses anywhere in our supply chain, and we continue to closely monitor and improve labor conditions in the factories we use.

Read more about the commitment
 —> www.aafaglobal.org/AAFA/Solutions_Pages/Commitment_to_Responsible_Recruitment.aspx

Training and capacity building

We provide training for our Tier 1 and Tier 2 suppliers so that they can learn and share best practices that allow them to 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 capacity building process ultimately improves both the wellbeing of staff and the suppliers' quality and productivity.

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

In 2018, we provided capacity-building sessions for suppliers in Shanghai, China. These sessions covered a range of subjects including supervisory skills, fire safety, compensation and benefits, social compliance, and the rights and responsibilities of workers and unions.

In addition, our suppliers are able to attend capacity-building sessions held by ILO Better Factories Cambodia program and ILO Better Work (Vietnam, Indonesia).

Training in Shanghai, China

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

89
Participants

61
Suppliers

“Our partnership with ASICS ensures our sustainability goals are aligned. Helping strengthen our capabilities and proactively communicating with all teams to build a learning environment. Our efforts have been recognized by the ILO Better Factories Cambodia program: we are the first apparel manufacturer in Cambodia to achieve ILO/BFC Stage II Factory. Currently we are working with the UNESCO for Literacy program to encourage employee development and improve their living standards. The ASICS sustainability team has given us huge support”.

Message from Sabrina
 (a supplier in Cambodia)

OUR APPROACH TO OUR SUPPLY CHAIN CONTINUED

Stakeholder engagement and 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 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.

The Bali Process

The Bali Process is a platform for awareness raising and industry-wide dialogue on issues related to forced labor among migrant workers. Co-chaired by Indonesia and Australia, the initiative has 49 members, including the United Nations High Commissioner for Refugees (UNHCR), the International Organization for Migration (IOM), the United Nations Office of Drugs and Crime (UNODC) and the International Labour Organization (ILO). In 2018, we joined participants from 43 countries on the conference. During the conference, recommendations from businesses to enhance collaboration on tackling modern slavery were

adopted, and the business track was made a permanent instrument of the Bali Process.

→ <https://www.baliprocess.net/>

Kansai SDGs Platform (KSP)

The Kansai SDGs Platform is an initiative bringing together companies, NGOs, local governments and other stakeholders to collaborate to achieve the United Nations' Sustainable Development Goals (SDGs). In 2018, KSP partnered with Global Compact Network Japan to arrange the CSR procurement seminar. ASICS was one of the panelists at the seminar, during which we discussed our activities around responsible procurement.

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 2018, 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.

Indonesia Protocol

ASICS has been a signatory of the Freedom of Association (FOA) protocol in Indonesia since 2011. In 2018, ASICS took part in a survey to monitor FOA protocol implementation among our suppliers.

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 2018, ASICS actively engaged suppliers to help them integrate the Higg index into their management and reporting systems.

Unions

ASICS engages with several unions worldwide. In 2018, 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 its committee meetings as well as the WFSGI World Manufacturers Forum, where sustainability in manufacturing is a key focus area.

Comment from ILO Better Work

“The Better Work programme, managed by the International Labour Organization (ILO) and the International Finance Corporation (IFC), improves labor standards and competitiveness in global supply chains. ASICS has been a partner of Better Work and Better Factories Cambodia (BFC) since 2014, collaborating on monitoring and improving conditions in supplier factories. The Better Work approach creates sustainable change through building factory ownership and capacity as well as assessments, training and research to change policies and behaviors. We look forward to continuing our collaboration with ASICS”.

Ms. Akiko Taguchi, Director,
International Labour Organization
(ILO) Office for Japan