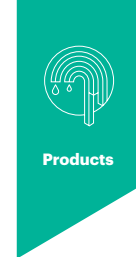


Operations



Products

# OUR APPROACH TO CLIMATE CHANGE

## Addressing climate change

Climate change is a serious threat to the environment and economies around the world. Rising global temperatures are affecting weather patterns and causing extreme weather conditions, leading to food shortages and water scarcity; they also affect our ability to move and play sports, as well as the places where we do this. Climate change is also a direct threat to our business, impacting production sites and logistical routes in our supply chain.

Climate change is caused by a build-up of greenhouse gases in our atmosphere, released in part by businesses such as ours. We know that we contribute to global CO<sub>2</sub> emissions both through our manufacturing and distribution processes and our direct operations. The materials we use to make our products can also contribute to our overall emissions. For example, polyester and polyurethane are derived from fossil fuels, and release CO<sub>2</sub> when the products containing carbon are incinerated at the end of their life. For these reasons, we see climate change as a crucial issue for our business.

We're committed to reducing our carbon footprint by setting science-based carbon reduction targets in line with the goal of the Paris Agreement to keep global temperature increases below 2°C. Our new targets were set in 2018, and officially approved by the Science Based Targets initiative (SBTi) in the same year.

We will actively engage our supply chain partners, consumers and other stakeholders on these issues and work toward achieving our targets together.

### For more about what we're doing to achieve our targets

→ see pages 19, 20, 25, 26 and 30.

**SCIENCE BASED TARGETS**  
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

**Science Based Targets initiative (SBTi)**  
The SBTi was established in 2015 and is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The initiative champions science-based target setting as a way to boost companies' competitive advantage in the transition to the low-carbon economy. Targets adopted by companies to reduce carbon emissions are considered "science-based" if they are in line with the level of decarbonization required to keep global temperature increase below 2°C compared to pre-industrial temperatures.

**Find out more about Science Based Targets initiative**  
→ <https://www.sciencebasedtargets.org>

### CO<sub>2</sub> emissions reduction targets for 2030

Scope 1 and 2: <b>33%</b> Reduction in absolute CO <sub>2</sub> emissions from our direct operations (2015 baseline)	Scope 3: <b>55%</b> Reduction in CO <sub>2</sub> emissions from our supply chain per product manufactured (2015 baseline)*
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#### Action 1

**60%**  
Or above boost to the ratio of renewable energy in our business facilities

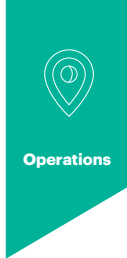
#### Action 2

**30%**  
Reduction to the amount of energy our Tier 1 supplier factories use to manufacture each of our products

#### Action 3

**100%**  
Recycled polyester to replace standard polyester materials in shoe uppers and sportswear products

\* Target scope is 'purchased goods and services' and 'end-of-life treatment of sold products'.



# OUR APPROACH TO MANAGING OPERATIONS

We aim to continuously improve the environmental performance, resource and materials used in our buildings and distribution network.

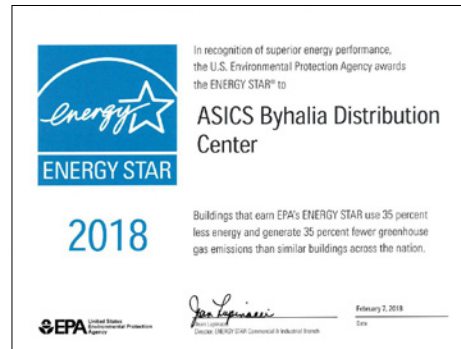
Beyond improving the sustainability of our products, we also aim to continuously improve the efficiency and reduce the environmental impacts of our direct operations. This includes our offices, distribution centers and retail stores.

To manage our environmental and sustainability performance to the highest standards, we use Environmental Management Systems accredited to the ISO14001 international standard in our main office locations. In Japan this also includes our Institute of Sport Science research facility. In Europe, we have included our distribution centers into the scope of our management system.

After updating our certifications to the new version of the standard in 2017, in 2018 we focused on aligning the systems between Japan and Europe. Because each of the systems covered different operations, they were developed in different ways and both interpretations had strengths and weaknesses. By aligning both systems, we were able to optimise the systems, learning from the

experience in both regions and operations, making the systems more efficient and effective. Aligned systems will also allow us to expand the scope to other regions more easily.

In the US, our main distribution center in Mississippi, BDC, earned the US Environmental Protection Agency's ENERGY STAR award for the fourth year in a row. The award recognizes superior energy performance and low greenhouse gas emissions compared to similar buildings across the nation.



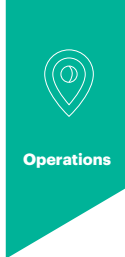
## Tracking performance data

We continue to use Schneider Electric's EcoStruxure™ Resource Advisor (RA) platform to track the environmental performance of our offices, stores and distribution centers, as well as our Global Footwear Tier 1 suppliers. Gathering all environmental data in this cloud-based performance management system allows us to analyse our impact and learn where and when we have the highest impacts. The information feeds into our improvement programs, allowing us to focus our attention on improving energy, water and waste efficiency where it's needed most.

We also use SAC's Higg Facility Environmental Module (FEM) to collect performance data from our supply chain. Launched in 2017, this module allows us to collect standardized, comparable and detailed environmental performance data from our suppliers in a highly efficient way. See page 30 for more about this tool.

ASICS has set approved science-based targets for carbon emissions reductions, which include Scope 3 (supply chain) targets as well as Scope 1 and 2 targets for our own operations. SAC's Higg data collection tools such as FEM will be critical for tracking progress against our Scope 3 emissions targets.

As more brands and suppliers set science-based targets, we believe that the Higg platform has a vital role to play in tracking progress against them.



## OUR APPROACH TO MANAGING OPERATIONS CONTINUED

### Energy efficiency and carbon emissions

At ASICS, we are committed to growing our business while at the same time reducing our carbon emissions, setting targets for reductions in line with climate science and in accordance with the Science Based Targets initiative (SBTi). We work to reduce our emissions both within the direct scope of our own operations, and the wider indirect scope associated with transportation, manufacturing and material sourcing.

### Reducing the carbon footprint of our direct operations

Our target for 2020 is to reduce by 5% absolute CO<sub>2</sub> emissions from our direct operations (Scope 1 and 2, 2015 baseline) including retail operations. In addition to this, we have committed to reducing absolute Scope 1 and 2 CO<sub>2</sub> emissions by 33% by 2030 from the same base year, in accordance with the SBTi. This target is the basis of our mid-term carbon strategy, and helps us maintain momentum for our CO<sub>2</sub> reduction actions.

**19.2%**  
decrease in our CO<sub>2</sub> emissions from direct operations, measured from the baseline years

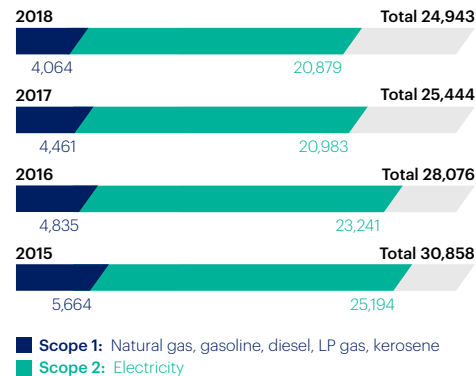
In 2018, our CO<sub>2</sub> emissions decreased 19.2% from the baseline year despite the slight increase in the number of our own retail stores from 876 to 899. Comparing our total emissions to our business revenue show an increase in our efficiency from the baseline year. The CO<sub>2</sub> emissions intensity per unit revenue has decreased by 10.4% from the baseline year.

In 2019 we will continue our sustainable energy projects to both increase efficiency and reduce the absolute emissions.

Our strategy to reduce energy use and CO<sub>2</sub> emissions includes:

- ▶ Increasing the use of on-site and off-site renewable energy
- ▶ Increasing energy efficiency in high energy usage locations
- ▶ Introducing more energy-efficient equipment and vehicles
- ▶ Adopting energy-efficient design to new buildings, distribution centers and retail stores or refurbishment of existing locations.

CO<sub>2</sub> emissions from our locations (tonnes)



The data applies to ASICS Group locations including offices, retail locations, distribution centers and wholly owned factories globally. Company/lease car impacts are also included. Figures for Scope 1 are calculated according to factors based on the 2006 IPCC Guidelines (Commercial Institutional). Company/lease car impacts in Brazil are calculated with factors using 2015 DEFRA data. Figures for Scope 2 are calculated according to factors based on "CO<sub>2</sub> Emissions from Fuel Combustion 2016-Year 2014" of IEA. The following formula is used when the amount of energy consumption for CO<sub>2</sub> emissions is not available for any sites: (energy consumption per square meter estimated for each type of site) X (area of site) X (CO<sub>2</sub> emission factor). The Certificate of Green Power 1.6 MWh was deducted from the total Scope 2. The 2015, 2016 and 2017 data are restated due to updated data and improved estimates. The 2018 emissions data are verified by Deloitte Tohmatsu Sustainability Co., Ltd.

## OUR APPROACH TO MANAGING OPERATIONS CONTINUED

In 2018, we continued to increase our use of renewable energy in Europe and Japan. In Europe, we continued the energy procurement project that started in 2016. The aim is to centralize energy procurement in Europe to save costs as well as switching to renewable electricity contracts for our direct operation locations. In 2018, approximately 8,100 MWh of purchased electricity was from renewable sources; this is more than 60% of total electricity use in EMEA. The energy procurement project and transition to renewable energy for our direct operations will continue in 2019.

In Japan, we purchased the renewable energy certificate of 1.6 MWh generated by biomass, which covered 100% of the electricity used at our office headquarters in 2018.



Renewable energy certificate

We continuously assessed options with the electricity supplier to procure and expand the use of renewable energy for our headquarters and other locations in Japan.

ASICS America Corporation partnered with EnterSolar to install a wholly owned 1 MW (megawatt) rooftop solar panel array at our distribution center in Byhalia, Mississippi in 2017. The largest private solar system in Mississippi, the installation covered around 23% of the site's annual energy needs in 2018, while reducing carbon emissions by nearly 800 tonnes of CO<sub>2</sub> equivalent units per year.

The installation consists of roughly 3,000 solar panels capable of generating up to 1,330 MWh of the Distribution Center's current annual energy needs – equivalent to the power consumed by 126 homes per year.

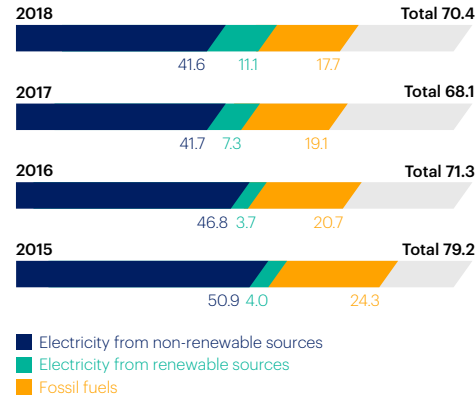


System Installation Drone View of ASICS distribution center in Byhalia, Mississippi

The solar panels used for this project were manufactured by Trina Solar and were specifically selected for their top sustainability ranking over the past five years by the Silicon Valley Toxics Coalition (SVTC). The distribution center is also a LEED Building Operations and Maintenance (O+M) registered project.

### Energy volume by type (GWh)

In 2018 the percentage of ASICS' electricity from renewable sources increased to 15.8%.



The data applies to ASICS Group locations including offices, retail locations, distribution centers and wholly owned factories globally. Company/lease car impacts are also included. The following formula is used when the amount of energy consumption is not available for any sites: (energy consumption per square meter estimated for each type of site) X (area of site) X (conversion factor from each unit to GWh). The 2018 total energy volume is verified by Deloitte Tohmatsu Sustainability Co., Ltd.

**23%**  
of the Byhalia site's annual energy needs in 2018 were covered by the largest private solar system in Mississippi

**100%**  
of electricity used at Japan headquarters is generated from renewable sources

## OUR APPROACH TO MANAGING OPERATIONS CONTINUED

### Reducing Scope 3 emissions

We know from our life cycle assessments that more than 80% of the overall CO<sub>2</sub> impact related to our products occurs during manufacturing, material procurement and end-of-life management. In 2018 to address this impact, we have set a target to reduce our indirect (Scope 3) CO<sub>2</sub> emissions from purchased goods and services and end-of-life treatment of sold products by 55% per product manufactured by 2030 (2015 base year).

We shared our target with our main footwear factories and will put together shared plans and targets for 2030 in 2019. We also continue to measure our Scope 3 CO<sub>2</sub> emissions across global operations in order to assess the impact of changes in business operations.

For more details about how we are shifting to materials with lower impacts, see pages 19 and 20. For more about how we are reducing carbon emissions in our supply chain, see page 30.



Operations

### Scope 3 CO<sub>2</sub> Emissions 2018:

Scope 3 Category	CO <sub>2</sub> tonnes	%	Scope
1. Purchased goods and services	635,069	84.2	Global footwear manufacturing CO <sub>2</sub> data (Tier 1), and ASICS Group companies' purchases of footwear material, apparel, equipment, marketing and sales. (Calculation method <sup>1</sup> ).
2. Capital goods	13,005	1.7	ASICS Group companies.
3. Fuel-and-energy-related activities	1,190	0.2	ASICS Group companies.
4. Upstream transportation and distribution	42,258	5.6	Category 4 includes air and sea freight of footwear related logistics, air freight of apparel related logistics for Japan, rail and road freight of 'port to DC' in Europe, US and Japan, and road freight of 'DC to customers' in Japan.
5. Waste generated in operations	67	0.0	ASICS Group companies.
6. Business travel	4,423	0.6	ASICS Group companies.
7. Employee commuting	801	0.1	ASICS Group companies in Japan.
8. Upstream leased assets	-	-	Not assessed.
9. Downstream transportation and distribution	6,882	0.9	ASICS Group companies.
10. Processing of sold products	-	-	Not assessed.
11. Use of sold products	19,660	2.6	ASICS Group companies.
12. End-of-life treatment of sold products	31,044	4.1	ASICS Group companies.
13. Downstream leased assets	-	-	Not assessed.
14. Franchises	11	0.0	ASICS Group companies in Japan.
15. Investments	-	-	Not assessed.
<b>Total</b>	<b>754,410</b>	<b>100</b>	

The Category 1 (Purchased goods and services) CO<sub>2</sub> emissions data of Scope 3 are verified by Deloitte Tohmatsu Sustainability Co., Ltd.

1 Calculation method of Category 1 Footwear Tier 1: (energy consumptions at suppliers) X (percentage of ASICS production at suppliers) X (emission factor of each energy type) + Footwear material: (production volume) X (emission factor of material from the past LCA study) + Apparel Tier 1: (production volume) X (emission factor of Tier 1 from the past LCA study) + Apparel material: (production volume) X (emission factor of material from the past LCA study) + Equipment, marketing and sales: (price of purchased goods and services) X (emission factor of each purchased goods and services<sup>2</sup>).

2 5. Inter-industry relations table based emission factors of Emission factors database for greenhouse gas emissions accounting throughout the supply chain (ver.2.2 as of March, 2015) published by Japanese Ministry of the Environment.

## OUR APPROACH TO MANAGING OPERATIONS CONTINUED

### Reducing CO<sub>2</sub> in transportation

Transporting products from factories to market is the third biggest contributor to our overall carbon footprint, accounting for about 5% of our total CO<sub>2</sub> emissions.

Since 2013, we've been working to reduce the carbon footprint of our distribution network through consolidation and by improving its efficiency. This includes switching to more energy-efficient forms of transport such as ships and trains.

In Japan, we have improved the efficiency of our logistics by developing a system that makes empty imported containers available to other companies for use as export containers at a number of distribution terminals. We have also begun shipping from our own factory in Japan directly to overseas subsidiaries, rather than via distribution centers in each region.

We ask our partner shipping companies to use ships assessed with the World Ports Sustainability Program's Environmental Ship Index (ESI). The ESI evaluates the amount of nitrogen oxide (NOx) and sulphur oxide (SOx) that is emitted by a ship, and includes a reporting scheme on the greenhouse gas emissions of the ship.

We will continue to work with our logistics providers to make our distribution network more efficient globally.

#### CO<sub>2</sub> transportation (tonnes)



Road and rail freight include data of 'port to DC' in the US, Europe and Japan, and 'DC to customers' in Japan. Sea freight is data of footwear business. Air freight is data of footwear business globally and apparel business in Japan. The emissions factors provided by the GHG Protocol are used.

### Sustainable retail

We continue to develop our retail locations, adopting new materials and technologies to improve their sustainability while also providing the best experience and service to our consumers.

In 2016 we launched a new design concept for our ASICS stores, using more sustainable materials and providing more space for community activities and encouraging people to move, in line with the spirit of our brand. During 2018 we renovated 22 of our stores to fit the new concept, and we will continue doing this in future.

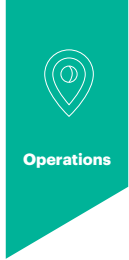
We also continued to switch energy contracts to renewable electricity as part of our commitment to reduce carbon emissions related to our operations. Overall in 2018, 62% of the electricity use in our stores was provided by renewable sources, an increase of 7% compared to 2017.

Following our project in Europe, we are also exploring options for switching to renewable electricity contracts in America and Asia. However, as the energy market is not open in all countries, this is more complex in certain regions. We are continuing to investigate opportunities in these regions.

Energy use in our stores is still a growing part of our total energy consumption. As such, it's important that we continue to focus on energy reduction and finding renewable sources for our stores.



ASICS store, New York, United States



Operations

## OUR APPROACH TO MANAGING OPERATIONS CONTINUED

### Resource efficiency improvement

The materials and other resources we use to make our products are valuable, and we're committed to using them as efficiently as possible. We have set a target to recover or recycle more than 98% of the waste in our direct operations by 2020. To achieve this, we are making smart material and design choices to ensure that more of our materials can be reused.

In 2018 we analyzed our waste streams, focusing particularly on the waste being sent to landfill. We explored which locations and processes were producing this waste. We also looked at what we could do either to prevent the waste being generated, or to recover and recycle it.

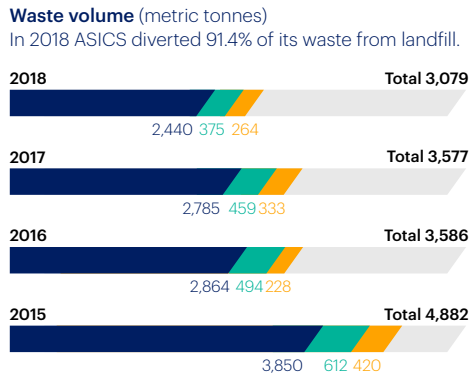
Our research found that just four sites are responsible for over three-quarters of all the waste that we are currently sending to landfill. Therefore, by focusing on this limited number of sites, we could significantly improve our waste reduction efforts.

One of the main sites we are focusing on is our Sanin Footwear factory in Japan. Some of the landfilled waste from that location was generated by renovation and expansion activities that took place over the past years.

However, we are also evaluating whether landfilled waste from processes in that factory can be reduced, recycled or recovered.

Similar awareness and reduction projects have begun in the other three main sites that are responsible for most of our landfilled waste.

We are also developing a strategy to make our packaging more sustainable in terms of material use and design. This will help us reduce waste generated further down our supply chain, at the retail and consumer level.



- Recycled & Reused Volume
- Recovered Volume
- Disposal Volume

2018: 20 companies, 33 locations, covering 68% of operations (FTE basis)  
 2017: 20 companies, 40 locations, covering 69% of operations (FTE basis)  
 2016: 20 companies, 42 locations, covering 75% of operations (FTE basis)  
 2015: 17 companies, 43 locations, covering 75% of operations (FTE basis)

### Reducing our water use

Water is one of life's most precious resources, and essential to our manufacturing processes. To ensure a sustainable supply of water in the communities where we operate, we are committed to using water as efficiently as possible.

In 2018 we used 22.3% less water than in the previous reporting year. Most of this decrease was accounted for by our owned factory in China, where water use largely decreased by 75%. This decrease was related to the water leakages detected and fixed in past year.

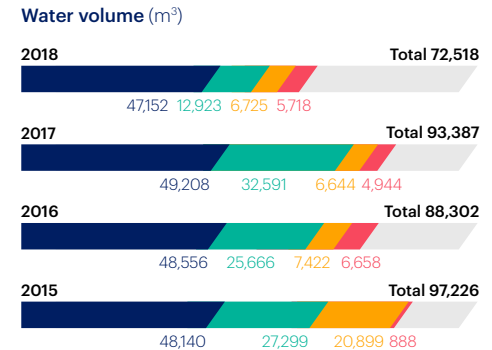
Our other operations in offices also have shown a reduction in water use in 2018 compared to 2017, while distribution centers and retail locations have shown slight increase. In order to help our operations to reduce their water use further, we will share best practices and focus on our most water-intensive operations for efficiency improvements.

As well as tracking the volume of water used in our own operations, we have also investigated the source of the water to gain a more detailed understanding of the way our water use impacts the local environment.

As expected, we were able to confirm that we are using water from municipal water utilities in all our operations.

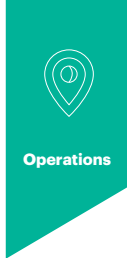
Water provided by municipal utilities is estimated to be well managed and has a lower impact and risk on the environment than water from a nearby river, lake or groundwater.

In one of our locations in Germany, we are saving water by using rainwater for sanitary purposes. We are exploring whether this can be applied in other locations to decrease our water use.



- Offices
- Factories
- Distribution Centers
- Retail

2018: 32 companies, 85 locations, covering 82% of operations (FTE basis)  
 2017: 31 companies, 85 locations, covering 80% of operations (FTE basis)  
 2016: 26 companies, 81 locations, covering 80% of operations (FTE basis)  
 2015: 30 companies, 60 locations, covering 55% of operations (FTE basis)



## OUR APPROACH TO MANAGING OPERATIONS CONTINUED

### Managing manufacturing environmental impacts

Supply chain manufacturing accounts for more than 80% of our overall environmental impacts. Our product Life Cycle Assessment (LCA) research shows us that most of the environmental impacts related to footwear are associated with manufacturing processes. For apparel, the impacts are associated with manufacturing processes, and washing while the products are in use.

We're committed to use our influence within our supply chain to help reduce these impacts. We seek to source from suppliers that share our commitment to operating in an environmentally responsible manner.

To achieve our new CO<sub>2</sub> emissions targets (see page 17), we will actively work with our suppliers to reduce energy use in Tier 1 supplier factories by 30% per product manufactured, and help them to switch to renewable energy where possible.

### Higg FEM analysis

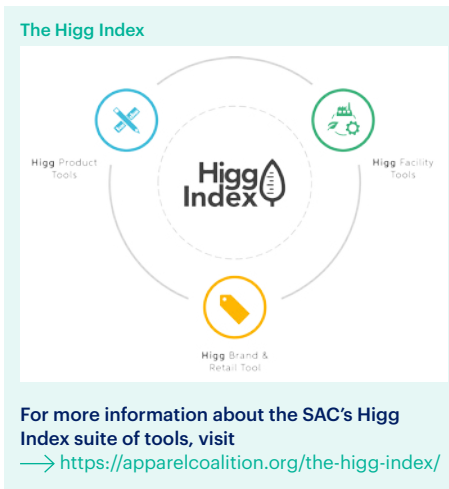
Our strategic Tier 1 factories and certain Tier 2 suppliers account for around 80% of our supply chain environmental impact. In 2018, we asked these factories to supply us with environmental performance data using the Sustainable Apparel Coalition's Higg Facility Environmental Module 3.0 (SAC's Higg FEM). The FEM module also helps us understand how suppliers are managing their environmental performance, as well as their overall sustainability strategy.

This information will allow us to:

- › track our indirect environmental impact,
- › focus on working with factories that have a lower environmental impact,
- › communicate the environmental impact of our products in more detail to our consumers.

We believe that the SAC's Higg FEM is the most efficient industry tool for this purpose. This is partly because suppliers only have to fill out the module once per year and share it with all the brands they work with, instead of answering separate questionnaires for each brand.

At the end of 2018, SAC launched the Facility Social and Labor Module (FSLM), a similar tool to track and measure the social performance of factories. We will use the FSLM to monitor social performance in our supply chain from 2019 onwards.



### Reducing the environmental impact of Tier 1 suppliers

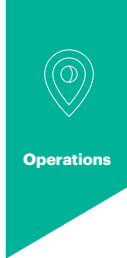
We work closely with our Tier 1 suppliers to help them reduce their impacts by improving our product designs. We also encourage our suppliers to implement best practice environmental management systems. In 2018, CO<sub>2</sub> emissions per pair of shoes manufactured in our footwear Tier 1 suppliers decreased 15.9%, compared to the 2015 baseline. In addition, water use and waste per pair of shoes decreased by 17.6% and waste emissions doubled respectively.

During the year we also created a new set of environmental guidelines to help our suppliers reduce their impacts. The new guidelines will be ready to share in 2019. In addition, we updated our auditing process and rating criteria to reflect our new science-based targets and insights from the Higg FEM analysis.

YEAR	UNIT	2015	2016	2017	2018
CO <sub>2</sub> emissions	kg/pair	2.45	2.17	2.27	2.06
Water	m <sup>3</sup> /pair	0.034	0.030	0.030	0.028
Waste	kg/pair	0.02	0.03	0.03	0.04
Recycled or recovered waste	tonnes	12,606	9,324	3,658	4,125

The data in this table is based on 14 factories in China, Vietnam, Indonesia and Cambodia, which together produce over 95% of all our footwear. The 2017 data is restated due to updated data and improved estimates.





## OUR APPROACH TO MANAGING OPERATIONS CONTINUED

### Water risk mapping in the supply chain

Our industry uses a significant amount of fresh water globally in its material sourcing and manufacturing activities. Many of the factories we work with are located in regions affected by water scarcity, with limited water infrastructure and regulations on water use and pollution. It's therefore important that we understand the water risks in these areas, as well as opportunities to improve water sustainability.

In 2017 we performed a water risk assessment focused on footwear and apparel Tier 1 and 2 suppliers. In 2018, we updated this assessment based on more recent information gathered from the Higg FEM modules.

The analysis found that many of our suppliers have good water management practices, and most are limited water users. For the few identified as heavy water users, we found that most have an effective water management system in place, including targets and strategies for improvement. Some facilities did not provide detail about water use in their FEM module, and we will focus more attention on their water management in our audits of these suppliers in future.

### Water risk at our supplier\*



\*The analysis is based on the facilities that responded to our request to share their FEM module with us.

Based on the information provided in the FEM modules, we also added several topics related to water management to our factory rating criteria, which will be included in the next scheduled update of our rating system. This will enable us to include water use performance in the total score for the suppliers we work with, and reward those who are performing strongly in terms of water management.

### Environmental compliance in our supply chain in China

By collaborating openly with partners, we gain valuable insights and feedback that helps bring compliance issues to light and help improve compliance across our supply chain.

In 2016, we began to comprehensively screen our suppliers in China using the Blue Map Database, a platform developed by the Institute of Public & Environmental Affairs (IPE). This investigation showed that speed of reaction, clear internal communication and risk prevention processes are key to improving compliance in our supply chain.

In 2018 we were ranked 13th out of 49 companies in the leather industry and 26th out of 81 companies in the textile industry in the Corporate Information Transparency Index (CITI) system. Jointly developed by IPE and the Natural Resources Defense Council (NRDC), the index evaluates brands' supply chain environmental performance based on information that is made public, such as government compliance data, online monitoring data and third-party environmental audits. This index is frequently updated when brands share more information publicly, and the ranking can therefore change regularly.

For more about supply chain compliance

→ see page 35

# 13th

out of 49 companies  
in the leather industry in  
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