



## 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

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### 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