

**MODERN SLAVERY &
HUMAN TRAFFICKING
STATEMENT**
May 2018

This statement has been published in accordance with the Modern Slavery Act 2015 and The California Transparency in Supply Chains Act of 2010 (SB657). The following pages set out the progress made and steps taken by The ASICS Group with regards to modern slavery and human trafficking in its business and supply chains in the fiscal year 2017 (January 1st 2017 till December 31st 2017).

ASICS GROUP MODERN SLAVERY AND TRAFFICKING STATEMENT FY2017

ASICS depends on a global supply chain that includes material and product manufacturers, their workers, unions, NGOs and others. Upholding fair business practices, improving labor conditions and protecting human rights across our supply chain are responsibilities we take very seriously. The ASICS Group strongly condemns the use of force or involuntary labor. We take a zero-tolerance approach to this issue, and deploy a rigorous supply chain management program to ensure compliance throughout our supply chain.

Over the past few decades, much has been achieved in the field of corporate social responsibility and sustainability, particularly around protecting human rights in supply chains. Global efforts by businesses, legislators, NGOs and other stakeholders have led to greater transparency, increased awareness of the issues and effective action to prevent human rights abuse and work towards safe and ethical supply chains.

Unfortunately, modern slavery, which includes slavery, servitude, forced labor and human trafficking, remains a significant risk in supply chains. Due to rising levels of global migration, this issue now occurs in regions across the entire globe, in every type of economy and at any country development level.

ASICS does not tolerate modern slavery in our supply chain in any form. As part of our wider commitment to creating products safely and sustainably, we are committed to using our influence to identify and collaborate with our partners on eradicating modern slavery in 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 together with other stakeholders within and outside the sporting goods industry.

Our business and supply chain

ASICS is one of the world's top five sports performance and lifestyle brands. We operate 57 businesses in 33 countries. Our reach extends further through our supply chain partners, sponsored events and connections to other stakeholders worldwide. In the financial year 2017, the ASICS Group reported a turnover of 400,157 million Japanese Yen.

Our supply chain is large and complex. More than 150 direct Tier 1 suppliers in 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 global brand, we play a highly influential role in our supply chain. We see it as an important responsibility to use this influence to help maintain and improve standards throughout our supply chain, both among direct and indirect suppliers. We operate a rigorous supply chain management program in order to increase transparency, monitor standards and ensure compliance with ASICS policies and all other relevant regulations and laws, local and international. We support and respect human rights, as set out in the Universal Declaration of Human Rights. Through our supply chain management program, we strive to ensure our activities do not make it an accessory to infringements on human rights.

As part of the ASICS Group the by origin Swedish brand Haglöfs is one of the world's largest manufacturers of outdoor clothing, footwear and hardware. The Haglöfs brand is owned by ASICS Corporation since 2010. Taking responsibility for the people who make Haglöfs products is essential to both ASICS Group and Haglöfs. Haglöfs was in 2012 the first Swedish Outdoor brand to become a member of the Fair Wear Foundation (FWF) an international organisation for independent control of production, working for better labour conditions around the globe. One of the major pillars of the FWF code of conduct, as Haglöfs has adopted is that forced labor is strictly prohibited. Being a FWF member brand means that the production of Haglöfs shall be regularly audited (at least every 3 years, but often more frequent. Fair Wear Foundation also requires unsurpassed transparency from its members.

Governance and human rights policies

Our system of governance ensures that our human rights principles and objectives are embedded throughout our business. This is a shared responsibility involving all company divisions and colleagues at every level.

The ASICS Group's dedicated CSR & Sustainability department drives human rights initiatives and monitors our supply chain on a day-to-day basis. Comprising a global team and designated staff at regional level, this department is responsible for implementing policy, driving performance, managing progress against targets and engaging with internal and external stakeholders.

We conduct our corporate activities on the basis of clear codes of conduct that are based on internationally recognized standards and conventions. Our 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.

Our Policy of Engagement (PoE) sets out the minimum requirements regarding human rights, labor standards, occupational health and safety and environmental practices for any ASICS business partner. Our PoE requires any partner involved in the manufacturing of ASICS, ASICS Tiger or Onitsuka Tiger footwear, apparel or accessories to:

- Respect worker rights and comply fully with all laws, regulations and administrative instructions applicable to their business operations.
- Maintain all relevant documents necessary to demonstrate compliance with our policies. When deemed necessary ASICS or its contracted independent monitors shall be allowed, regardless of prior notice, to conduct compliance assessment audits.
- Provide employees with safe and decent working conditions, fair wages and secondary benefits, and treat them with respect.

This also means that:

- Our partners shall not use forced labor, whether in the form of prison labor, indentured labor, bonded labor, or otherwise. No employee can be compelled to work through force, the threat of force or intimidation of any form.
- Their employees shall not be required to pay any deposit for work, the usage of personal protective equipment or as part of their recruitment process. Employers or recruitment companies shall never retain original copies of identity documents of employees.

Over and above ASICS' Policy of Engagement and other supplier requirements and expectations, our ASICS Code of Conduct sets out the basic standards by which all members of ASICS Group must comply during their daily activities and with each business decision. All directors, officers and employees in the ASICS Group are required to review, understand and comply with this Code.

We seek to continuously improve the audit functions and internal controls of our corporate management. Our aim is to create a management approach that goes beyond compliance and reflects the perspectives of our stakeholders.

We 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.

Due diligence and modern slavery risk assessment

ASICS operates a Group-wide risk management system to identify, analyze, evaluate, mitigate, monitor and report risks. This includes the risk of human rights violations, among other supply chain risks.

Aligning with our business strategy, our Risk Management Team gathers risk information from our business divisions. The mitigation plan for each risk is led by the Division Risk Owners. The Risk Management Team advises them and monitors progress.

We have a list of 20 approved sourcing countries. Before our sourcing divisions can enter product and material sourcing arrangements with any new country outside our approved list, they must first carry out a country risk assessment in collaboration with our CSR & Sustainability department and other internal and external stakeholders. This includes analysis of human rights risks, as well as particular industry/sector and geographical risks. All sourcing divisions within our Group are aware of this guideline.

Prior to entering any partnership agreement with a new footwear, apparel or accessories supplier, we assess that supplier's social and environmental sustainability performance against ASICS standards. Only if the supplier meets our minimum standards on human rights, safety and ethics will we consider engaging with them in a business relationship.

Monitoring our supply chain

Once a formal business relationship is established with a supplier, we continuously monitor the supplier's performance and periodically assess their facilities to ensure they are continuing to comply with our standards. We conduct three types of assessments within the ASICS supply chain:

1. **Internal audits**
Assessments conducted by ASICS compliance auditors. Our staff are trained and accredited to perform such assessments.
2. **Commissioned audits**
Independent third-party monitors perform audits at the facilities where our ASICS products are produced. We work only with monitors that are accredited, certified auditors.
3. **Partner audits**
These are audits conducted with ASICS suppliers as part of our collaboration with multi-stakeholder initiatives. Since January 2014, ASICS has partnered with ILO Better Work for this purpose. Before that, partner audits were carried out by our previous official partner the Fair Labor Association (FLA).

When our assessments find instances of non-compliance with our standards, we categorize them by different levels of urgency: minor, major and zero tolerance (for the most serious violations). Depending on the nature of the non-compliance, we impose sanctions that vary in severity, ranging from the termination of the business relationship in case of zero tolerance violations, to third party investigations or formal warnings. We consider the use of force or involuntary labor as a zero-tolerance violation.

Since 2015, we are expanding our supplier audit scope to include material processing suppliers (Tier 2), as well as those involved in product manufacturing processes (Tier 1). Active monitoring of Tier 2 will help us ensure that human rights are respected throughout our supply chain, and that they comply with legislation.

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. We feel that sharing basic information on our supply base will enhance transparency both for business partners, investors, labor organizations and our customers.

As ASICS, we value long term relations with our suppliers. While we do see a certain fluctuation in the supply base of a small part of our annual production volumes e.g. to new suppliers because of expanding to new product categories, we pride ourselves for the close, stable partnerships we have with most of our contracted suppliers. These stable partnerships give us the opportunity to work together with our supply chain partners to identify and collaborate on eradicating modern slavery in every part of our supply chain. The full list can be reviewed via the following link.

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

Training and capacity building

Along with our global CSR & Sustainability staff, many other departments and ASICS Group divisions play an important role in ensuring our operations are safe and ethical, and that human rights are respected at all times.

Production and sourcing divisions make a major contribution to building understanding of our supply chain, 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.

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.

We also provide training and capacity building for our Tier 1 and 2 suppliers in standards, legal requirements and industry best practice, so that they can continuously improve their performance over time. This includes training to prevent modern slavery and other human rights abuses.

Monitoring program performance and efficiency

Transparency regarding our supply chain impacts is vital, both for ASICS, and for our external stakeholders. We have recently introduced new tools and improved internal systems in order to give us better insights into our supply chain impacts, including labor conditions.

Along with these tools, we also gather information about our supply chain performance through industry bodies and through NGO partners such as ILO Better Work, unions and other external stakeholders.

The ASICS Group has been reporting on its efforts with regards to corporate responsibility and sustainability since many years through our annual public sustainability report. Our [2017 sustainability report](#) gives details on our most recent activities in areas such as supply chain management, training and capacity building, and protecting human rights.

ASICS continues to work towards creating safe and sustainable products, and a fair and environmentally sound sporting goods industry where human rights are respected at all times.

This statement was approved by ASICS Board of Directors.

Signed

廣田 康人

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