

## **Public summary**

### **Social life cycle assessment**

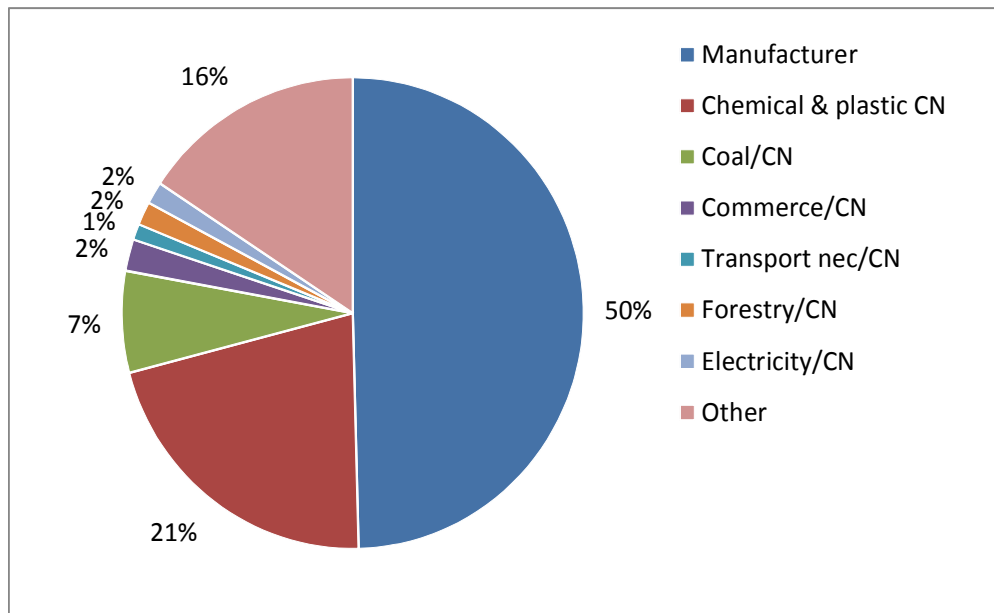
Life-cycle assessment (LCA) is a tool to combine environmental, social and/or economic information about an entire supply chain into one consistent framework. In doing so, LCA allows decision makers to identify and prioritize supply-chain issues they may be faced with. This pilot Social LCA (SLCA) was commissioned by ASICS to give a first overview of the social risk profile of the production chain of a typical product and to develop a rigorous, scientific basis to extend ASICS' existing social compliance programme and broader industry standards for suppliers.

The Kayano, ASICS' flagship athletic footwear model, was used in this pilot because a lot of the necessary data were already available from a previous environmental assessment. The Kayano represents significant sales volume and is manufactured in China, from materials and components sourced from China as well as Japan, Taiwan and the USA. The social risk profile was constructed using the Social Hotspot Database, which pinpoints sectors in each country that are generally associated with high risk of low social standards or even misconduct.

Such country-specific sectors are called hotspots. The hotspots show where there may be a high risk of social problems; this is not the same as identifying where or whether actual social injustices occur in this particular supply chain. When risk hotspots are found, more detailed follow up would be required to find out whether there is a real problem in the individual companies that supply part of the product. In other words, this SLCA is a roadmap highlighting where to focus attention to measure and improve social standards. This SLCA did not measure positive social effects such as employment and community engagement at this stage, so that risk management could be the main focus.

### **Results**

It was found that in this cradle-to-gate assessment, that is up to the point when the shoes are packaged and ready to be shipped to the end-consumer markets, 50% of the accumulated social risk is associated with the shoe manufacture. Another 21% of the accumulated social risk is associated with the production of plastics in the chemical sector in China and 7% with coal mining in China. Coal is used for the production of heat as well as electricity for the manufacturing process and for processes in the further supply chain.



**Figure 1 Contributions of country-specific sectors to the overall cradle-to-gate social risk index**

With a contribution of 50%, the shoe manufacture is clearly a social risk hotspot for the Kayano production chain. This reflects a combination of factors. First, the assembly work is relatively labour intensive which means the labourers in the manufacturing plant contribute a large amount of time to the total production and therefore their social conditions get a higher weight. Second, the Kayano is a major output for the manufacturer and therefore carries a lot of the “responsibility” for the social conditions, good or bad. So, while other sectors may have higher total social risks, those risks get shared by many more customers.

For the Kayano, the high contribution of the manufacture is actually good news, because there is an established relationship with these companies. ASICS is auditing them on CSR<sup>1</sup> topics and thus a large fraction of the potential supply chain risk is already managed. Therefore, the SLCA could zoom in on the specific supplier, rather than use sector average risks. Based on the specific audit results, the initial manufacturer risk level could be reduced by about 30% to 50%. When the company further improves its CSR audit ratings, the risk will be minimized further.

### **Beyond the workplace?**

When talking about social impact, we often mean labour conditions and health and safety issues. However, in addition to problems such as child labour, excessive working times and workplace injuries, people’s social conditions are also determined by broader community issues such as governance, human rights and community infrastructure like hospitals. These social themes are not caused by production processes and companies but they are influencing factors. Taking supply chain responsibility can go beyond the workplace, also caring for workers’ general welfare and development. Companies can try to exert influence on some of these social inadequacies and stand to benefit from improved conditions in the communities they operate in.

<sup>1</sup> Corporate Social Responsibility

Therefore, this SLCA assessed the full suite of social themes available. One of the findings was that fragility of the legal system in Angola is a risk hotspot. Angola produces oil that is used globally for energy and for the production of plastics, not just for Kayano but for virtually all products. In a social hotspot assessment of combined imports into the European Union, Angola was found to be the highest-ranking country of origin in terms of social risk. Clearly, these problems are well beyond the influence of one company, especially being so far removed along the supply chain. Nevertheless, the adage “what’s measured, improves” is important: awareness and transparency form the basis of improvement.

### **Sustainability strategy**

At this point, Social LCA cannot and should not be used to compare products or to establish whether a product is “good” or “bad”. SLCA is a rapidly developing discipline, with international best-practice guidelines but as yet no detailed protocols that would allow for such absolute outcomes. It can very well be used to determine priorities within a product supply chain and to guide more detailed assessments or monitor improvement. For ASICS, this Social LCA was part of the ongoing strengthening of its knowledge base in order to underpin sustainability strategy. The outcomes were discussed extensively at the company’s recent global strategy meeting in April 2015.