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# Materiality Understand suppliers a

## Implementation of improvement effo

For CSR audits of suppliers doing

(cycle) of compliance with the Mizuno Code of Conduct for Suppliers based on the Mizuno CSR Procurement Regulations, targeting more than 180 factories that serve as our major suppliers. In FY 2020, 22 factories were audited (Tier 1 factory: 21; Tier 2 factory: 1).

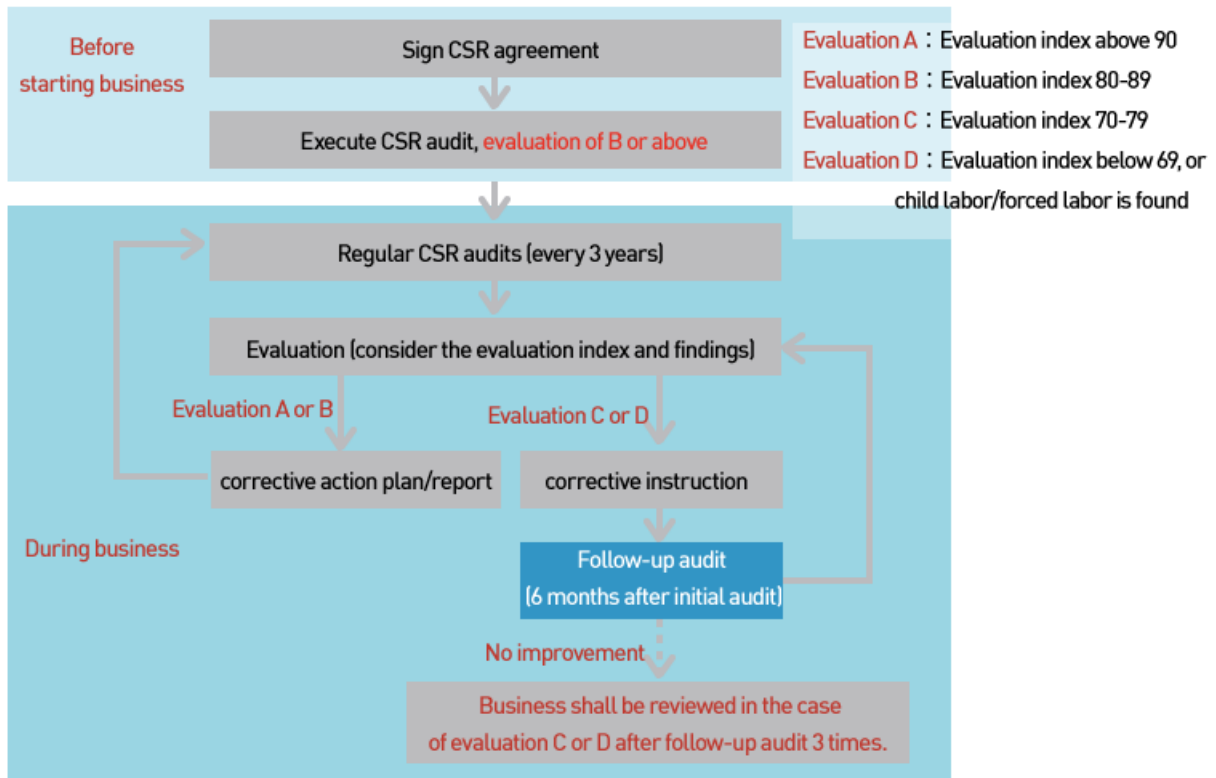
Since a CSR audit consists of on-site audits, document audits, and employee interviews, it is usually conducted by multiple auditors over one to several days. To check the compliance status of suppliers, a globally common monitoring sheet based on ISO 26000 is used. The audit items on the monitoring sheet are classified into three categories - "critical," "major," and "general" - depending on the degree of importance and urgency. If the item requirements are met, the points set for each category are aggregated and quantified for evaluation.

### System for CSR audits and corrective actions

# status of ent efforts

## Suppliers and

(CSR audits on a three-year



■ **Flow of a CSR audit**

<p><b>1. Opening meeting</b></p>	<p>Auditors explain the purpose of the audit and the audit schedule to factory managers, the staff in charge of human resources and general affairs, labor union leaders, and others concerned, using the Mizuno Group CSR Procurement Guidelines.</p>
<p><b>2. Factory audit</b></p>	<p>Auditors inspect the factory and ask the responsible staff about unclear points as needed. In addition to the production site, they visit the cafeteria and a dormitory to check whether the safety, health, and living environment of workers are protected. *All buildings are targeted.</p>
<p><b>3. Document audit</b></p>	<p>Auditors examine documents to check whether or not child labor exists, whether working hours, wages, and social insurance are appropriate, whether there are documents proving building code and fire safety compliance, and whether the required environmental monitoring is conducted.</p>
<p><b>4. Employee interviews</b></p>	<p>Auditors ask employees about working hours, holidays, wages, health checkups, and other labor-related matters and cross-check their answers against statements made by management and the content of documents. They also check whether or not sexual harassment, discrimination, and abuse exist.</p>
<p><b>5. Closing meeting</b></p>	<p>Auditors summarize the results of the on-site audit and document examination to report the audit results to the factory manager, and they discuss future improvement plans. Detailed evaluation results are later informed by Mizuno.</p>

## Implementation status of CSR audits in FY 2020 (initial audit)

	Country No. of suppliers*1	No. of important suppliers	No. of audits conducted in FY 2018 [reference]	No. of audits conducted in FY 2019	No. of audits conducted in FY 2020*2
Japan	120	51	4	2	1
China	214	59	17	12	13
South Korea	10	0	0	0	0
Taiwan	33	6	0	0	0
Indonesia	19	8	2	3	1
Vietnam	57	26	3	8	6
Thailand	11	7	1	2	1
The Philippines	4	3	0	2	0
Myanmar	10	7	3	2	0
Cambodia	8	4	0	0	1
Others	28	6	3	0	0
<b>Total</b>	<b>514</b>	<b>177</b>	<b>33</b>	<b>31</b>	<b>9*3</b>

\*1: As of April 2020. The conditions for CSR auditing have been changed since FY 2016.

\*2: A CSR audit of main factories is conducted on a three-year cycle. For some excellent factories, however, an audit is conducted every five years.

\*3: Including a CSR audit of new candidate supplier factories before the commencement of business

### One of the conditions for CSR auditing

We conduct a CSR audit in countries that are considered to have high human rights risks based on the Worldwide Governance Indicators released by the World Bank as well as our own perspectives. Target countries are reviewed annually with reference to the latest Worldwide Governance Indicators.

A CSR audit is not conducted in countries that are ranked higher overall in terms of “Voice and Accountability,” “Political Stability and Absence of Violence,” “Government Effectiveness,” “Regulatory Quality,” “Rule of Law,” and “Control of Corruption.” Basically, we do not conduct a CSR audit in Japan. However, for factories that employ foreign technical intern trainees, who are potential victims of human rights violations, we conduct a CSR audit even if they are located in Japan.

[Please click here for details of the Worldwide Governance Indicators.](#) 

## Survey of audited factories that employ foreign technical intern trainees

Our OEM factories in Japan total 120, 44 of which employ a total of 457 foreign workers. Of these factories, 25 factories have become subject to a CSR audit based on our criteria, where a total of 213 foreign workers are employed. In FY 2020, we planned to audit eight of these factories. However, due to the impact of COVID-19, only one factory was audited.

The factory which underwent a CSR audit in FY 2020 employed 19 Chinese technical intern trainees. We conducted interviews with two of its representatives in the audit and confirmed that there were no problems.

## Major monitoring items

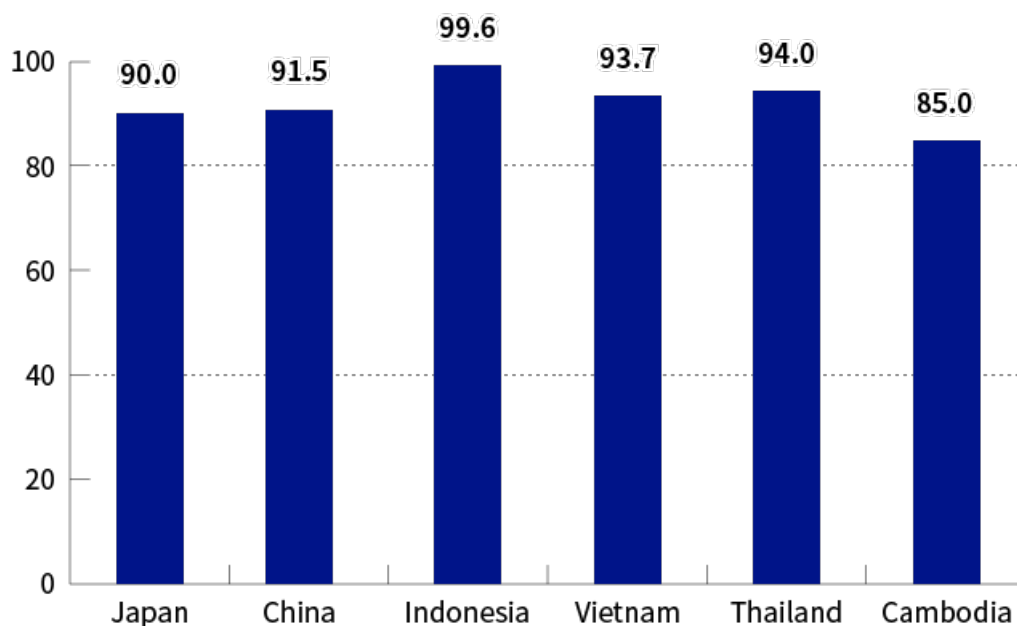
We mainly conduct an audit for the following items. The audit items are classified into three categories - “critical,” “major,” and “general” - and weighting points are assigned to each category. Since the applicable audit items may differ depending on the equipment of the factory to be audited, the total points of the applicable audit items are shown as a percentage.

## Audit Items and Average Score (FY 2020)□

Audit item		Average score (overall)
Human Rights	Freedom of association	94□
	Discrimination / Harassment / Gender	100□
	Child and underage workers	98□
	Slave labor / Forced labor / Migrant labor	100□
Labor Practices	Employment contract / Employment conditions	95□
	Working hours	75□
	Compensation	86□
Safety and Health	Drinking water / Wash basins / Toilets	92□
	Chemical substances	86□
	Management system	85□
	First aid	82□
	Fire safety	87□
	Kitchen	91□
	Electricity / Machinery / Equipment	100□
	Dormitory	97□
	Work environment	95□

	Audit item	Average score (overall)
Environment	Pollution prevention	98□
	Chemical substances (only for Tier 2 factories)	96□
	Management system	100□
	Use of resources / Climate change mitigation	89□
Others	Willingness to cooperate with the audit	100□
Average		92□

### Average score by country



### Non-conformities with the requirements related to human rights

The table below shows the details of non-conformities pointed out in the audits in FY 2020 concerning the following five items related to human rights – child and underage workers, forced labor, freedom of association, discrimination, and disciplinary practices – and the corrective action status for them.

Classification	Details	Corrective action status
Human rights: Child and underage workers	Are all underage workers working in the factory registered with local labor authorities?	1 non-conformity, correction completed
Human rights: Child and underage workers	Are underage workers placed on night shifts or in dangerous work environments?	1 non-conformity, correction completed

Classification	Details	Corrective action status
<b>Human rights: Freedom of association</b>	Is there an effective functioning system in which the factory management and worker representatives hold discussions to resolve worker complaints?	1 non-conformity, correction incomplete
<b>Human rights: Freedom of association</b>	Do workers elect their own representatives or spokespersons?	1 non-conformity, correction incomplete

### Evaluation rank of the audit results

We evaluate the CSR audit results in four stages based on the evaluation index. We consider an evaluation index of 90 or higher as A, an evaluation index of 80-89 as B, an evaluation index of 70-79 as C, and an evaluation index of 69 or less, or a case where child labor or forced labor is found, as D.

The evaluation ranks of the factories subject to an audit in FY 2020 are as follows.

Evaluation rank	No. of factories
<b>A</b>	16
<b>B</b>	4
<b>C</b>	1
<b>D</b>	0
<b>Total</b>	21

## Corrective action status of suppliers where violations were confirmed

### Items with many non-conformities

In the audits in FY 2020, the following items had many non-conformities: "Safety and Health: Machinery / Equipment," "Working hours," "Compensation," "Safety and Health: Fire safety," "Safety and Health: Chemical substances," and "Safety and Health: First aid." Specifically, non-conformities were found related to the following: protective devices for dangerous parts of machines, long working hours such as overtime and holiday work, provision of social insurance, storage and management methods of hazardous substances, and maintenance and management of firefighting equipment.

### Total

Ranking	Classification	Requirements	Percentage of non-conformities
1	<b>Labor Practices: Working hours</b>	Do working hours and overtime hours meet legal requirements?	62%
2	<b>Labor Practices: Compensation</b>	Are all workers offered social insurance that meets local legal requirements?	43%
3	<b>Labor Practices: Working hours</b>	Is it possible for workers to take one day off every seven days?	38%
4	<b>Safety and Health: Chemical substances</b>	Are the chemical substances properly labeled?	33%
4	<b>Safety and Health: Electricity / Machinery / Equipment</b>	Are appropriate protective devices installed for moving and rotating parts, pulleys, belts, and other dangerous parts of the machine?	33%
6	<b>Safety and Health: Electricity / Machinery / Equipment</b>	Are the wires properly covered and insulated?	29%
6	<b>Safety and Health / Fire safety</b>	Are all site buildings structurally safe, inspected, and given a building certificate / permit or the like by the local government?	29%
6	<b>Safety and Health: Work environment</b>	Is personal protective equipment (PPE) provided to workers?	29%
6	<b>Safety and Health / Fire safety</b>	Does the factory have a valid firefighting inspection certificate / permit issued by a local fire department, if required by local law or regulation?	29%
6	<b>Safety and Health: Chemical substances</b>	Are dangerous and hazardous substances safely and strictly stored? Is the fire extinguishing system of chemical storage appropriate? Is the fire extinguishing system of hazardous waste storage appropriate?	29%

**Corrective action status for non-conformities**

<b>Total</b>	102	100%
<b>Corrected</b>	45	44%
<b>Non-corrected</b>	57	56%

\* Corrective action status as of March 31, 2021 for non-conformities identified in the CSR audits in FY 2020

## Responses for Tier 2 and Tier 3 suppliers

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We are advancing efforts to understand the status of human rights, labor, and environmental impacts at Tier 1 suppliers that have a direct relationship with us and to take corrective action as needed as our top priority initiatives.

For Tier 2 and Tier 3 suppliers that do not have direct transactions with us but deliver parts and materials to our subcontracted factories, we are also proceeding with efforts, focusing on areas with high risk of significant human rights and labor issues and environmental impacts. Since FY 2017, we have begun to grasp the current status of Tier 2 and Tier 3 suppliers that perform plating of iron heads for golf clubs, dyeing of textile materials, and leather tanning for baseball gloves and shoes, which are considered to be high risk.

- FY 2017: We visited a metal processing factory in Japan and fabric dyeing processing factories in Thailand to understand the actual situation of Tier 2 and Tier 3 suppliers.
- FY 2018: We conducted a CSR audit of a plating factory in China, a leather tanning factory, a shoe upper material factory, and a shoe rubber sole material factory in Vietnam.
- FY 2019: We conducted a CSR audit of a golf parts factory, an upper material factory, an upper material processing factory, and a sole material factory. (The audit results of three factories – the golf parts factory, the sole material factory, and the upper material processing factory – fell below the standards.)
- FY 2020: We conducted a follow-up audit of two factories out of the four factories that had been below the standards in FY 2018 and FY 2019. (No audits were conducted for the remaining two factories because we closed transactions with them.) The two factories that underwent a follow-up audit were evaluated as A rank due to the implementation of corrective actions. In FY 2020, we also planned to conduct an initial audit of four factories (a golf club parts factory and three shoe material factories). However, since we closed transactions with the three shoe material factories, only the golf club parts factory was audited.

## Responses other than CSR audits

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Currently, in Southeast Asia, where many of our subcontracted factories are located, environmental problems and labor-management disputes are more likely to occur than ever before due to the rapid economic growth of the region. Under such circumstances of social changes, it is difficult to resolve fundamental human rights, labor, and environmental issues simply by correcting non-conformities identified in CSR audits. Accordingly, we need to focus on capacity building (capacity improvement) of factories as activities other than CSR auditing in the future. In FY 2020, we were unable to implement capacity-building activities due to the impact of COVID-19.

### **Participation in the Japan Platform for Migrant Workers towards Responsible and Inclusive Society**

It is reported that there are approximately 1.66 million foreign workers in Japan (of which approximately 380,000 are foreign technical intern trainees) and that approximately 240,000 establishments employ foreign workers\*. Foreign workers have become important members of the Japanese economy and society.



Toward 2030, which is the target year for the SDGs, we have voluntarily participated in the Japan Platform for Migrant Workers towards Responsible and Inclusive Society to promote the improvement of the work and living environments of foreign workers together with companies and organizations that agree with and implement the Platform Principles of Conduct, which meet international standards. We hope that employers and organizations will accept foreign workers steadily and responsibly while complying with laws and regulations.

\* As of the end of October 2019, according to a survey by the Ministry of Health, Labour and Welfare

## Future issues to be addressed

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- In regular monitoring through CSR procurement audits, it is important to correct issues pointed out in the audits. We will continue to work to promote corrective actions through dialogue with our suppliers.
- If one factory is entrusted to manufacture products for multiple brands, it is sometimes required to undergo an audit requested by each brand. In response to a request for the improvement of such situation, including the duplication of audits and different requirements in each audit, efforts to share information among industry groups and other initiatives are progressing. We will conduct research on efforts to improve such situation.
- Through CSR audits, we can grasp the situation at the time of an audit. However, we cannot constantly monitor the audited factory. In recent years, the establishment of a complaint-handling mechanism (grievance mechanism) has been considered effective as a means of supplementing CSR audits. We will work to build a grievance mechanism to ensure access to relief and to detect potential supply chain problems early.



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