

## ■ Living Wage Approach

### 1. Approach

Fast Retailing recognizes a living wage as worker's right and strives to not only ensure a minimum wage of the workers in our supply chain, but also a living wage that gives workers to have a higher standard of living. Since joining the Fair Labor Association (FLA) in 2015, an organization committed to fair compensation, we collaborate with FLA to analyze wages compensation data at our partner factories to identify the wage gaps of the workers and find solutions of the identified wage gaps. Most apparel brands, including brands in the Fast Retailing group of companies, outsource production to suppliers. Those suppliers decide how much workers are paid, considering multiple factors including the local minimum wage, the local cost of living, wage levels at neighboring factories and factory's business performance. While defining and guaranteeing a living wage is challenging, we are committed to the following actions towards a living wage, in collaboration with our production partners and stakeholders:

- By engaging with production partners, we comply with legal requirements and strive to, build sound industrial relations, enhance human resource management capacity and improve performance and efficiency of factories and individual workers, and share best practices.
- Pursue responsible procurement practices.
- Advocate improved social security systems in sourcing countries to mitigate the impact of unexpected worker circumstances such as illness, injury, unemployment etc.

### 2. Definition and benchmark

In the Fast Retailing Code of Conduct for Production Partners, we state that wages should be at a level which not only satisfies workers' basic needs for clothing, food and housing, but which also enables workers to lead decent lives. Such a wage should be earned during legally defined normal working hours without overtime.

We use the Global Living Wage Coalition's estimates, where available, and the FLA's Fair Compensation Dashboard and tools to measure living wage progress for workers.

### 3. Key actions towards achieving a living wage

A) Legal compliance on wage and benefits

Fulfilling legally required wages and benefits is the starting point for achieving a living wage. We only start business with production partners who have a firm commitment on wages and benefits of their workers. Our workplace monitoring program is designed to ensure that our production partners workers' rights on wage and benefits such as minimum wage, overtime wages and legally required benefits are paid. If violations of these rights are found, we require remediation and verify its compliance.

**Related Link**

▶ [Monitoring and Evaluation of Production Partners](#)

B) Responsible purchasing practice

We believe that responsible purchasing practices enable our production partners to operate in an efficient manner and promote decent working conditions including ensuring a living wage. To promote responsible purchasing, we have formulated guidelines and provide regular training to employees in our procurement-related departments, covering these guidelines and other matters. Furthermore, we update our guidelines and practices regularly based on dialogue with production partners and our workplace monitoring results.

**Related link**

▶ [Responsible Purchasing](#)

C) Engagement with key production partners

From 2018, we have collected information from sample factories on wage level with FLA's Fair Compensation tools. In 2022, we will expand target factories and engage with our production partners to identify barriers and areas where we might be able to provide support that helps increase wages of their workers. Based on this dialogue and factory needs, we will initiate programs at factories where we identify a wide gap to living wage exists.

(1) Building sound industrial relations

Genuine trusting dialogue between workers and employers helps improve working conditions and wage-setting mechanisms through cooperation and collective bargaining. To help build sound industrial relations at the factory level, we became a global partner of Better Work in 2015. Better Work establishes bipartite (worker-management) committees that are a stepping stone to meaningful social dialogue at the factory

level. To expand this approach, in 2020 we enrolled in the Better Work Academy to provide the same support at factories where Better Work is not operating. These programs engage union members based on guidance from Better Work, rather than by-passing union activities and collective bargaining. In 2022 we plan the following actions.

- Enroll more factories to join Better Work. As of December 2021, there are 75 partner factories under the Better Work program. This represents 63% of partner factories where Better Work operates.
- Introduce programs developed in partnership with the Better Work Academy, to establish bipartite (worker-management) committees and make them functional through various trainings at ten key production partners in China, Vietnam, Bangladesh, Indonesia.

## (2) Improving performance and efficiency

Performance and efficiency at both the factory and individual worker level are one of key factors in determining wage levels. Since 2020, we have developed programs to standardize worker skill assessment and skill training and conducted pilot programs. The programs help workers improve their skills and increase their efficiency. In 2022 we plan the following actions.

- Implement the program at 12 factories in China.
- Develop a program focusing on Human Resource Management and Wage Management to contribute to further efficiency in consultation with the Better Work Academy.

## (D) Social protection

The rapid spread of COVID-19 and its significant impact on the economy, employment and public health, illustrate the importance of social protection. Social protection provides a safety net including emergency income support in the case of such any unexpected situation or event which negatively impacts workers. Fast Retailing works with the International Labour Organization (ILO) and other stakeholders to improve social security systems in our sourcing countries.

- We endorse the ILO's Call to Action, a coalition of more than 125 brands who have come together to mitigate the negative impacts of the pandemic and to establish sustainable systems of social protection in the garment industry. We have supported activities led by the coalition.
- We have partnered with the ILO to improve social security systems and working environments in Asia since 2019. This unique partnership project successfully guided the establishment of unemployment

insurance in Indonesia, where the ILO has been providing technical support for implementation.

**Related link**

▶ [Global Partnership For Social Protection and Improved Environments for Asian Workers \(ILO\)](#)

(E) Stakeholder engagement

We recognize the importance of engaging with stakeholders to make progress in an inclusive and well-balanced manner. In 2022, we will identify stakeholders globally and locally and examine opportunities for us to engage meaningfully for the realization of a living wage in the countries where we do business.

**4. Reviewing and reporting framework**

Our approach towards a living wage and its progress are reviewed annually with the head of sourcing and production and the head of sustainability. Fast Retailing will periodically publish updates about its action plans and progress