

## Monitoring and Evaluation of Production Partners

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Fast Retailing believes that respect for human rights and labor laws and improving labor environments are among our most important responsibilities. We created our Code of Conduct for Production Partners to serve as a guide in monitoring labor conditions.

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### Workplace Monitoring

#### ■ Production Partner Monitoring Program

As per the Code of Conduct for Production Partners (established in 2004), Fast Retailing monitors the compliance status of all garment factories and core fabric mills through workplace monitoring. As part of this monitoring, we have implemented unannounced audits by third-party entities and assessments using frameworks common to the apparel and footwear industry. Using both methods, we evaluate working environments at factories, and engage in improvement activities appropriate to existing risks. In addition, we conduct pre-production audits of garment factories before we start business with them. This enables us to screen factories and start improving working environments from an early stage.

We require partner signatories to our Code of Conduct for Production Partners to cascade its rules upstream to any of its own suppliers involved in a process within our supply chain. To strengthen human rights due diligence and mitigate risk in our supply chain, we will pursue a high level of traceability across our entire supply chain. We will confirm working environments by sending company employees to visit raw material procurement locations, commissioning third-party inspections, and through third-party certification.

As part of our monitoring program, we began performing audits under the Better Work system in 2015, which is a program managed jointly by the International Labor Organization (ILO) and the International Finance Corporation. Adopted widely in the apparel industry, Better Work monitoring eliminates duplications in factory audits, letting companies focus mainly on improving labor conditions.

In 2015, Fast Retailing joined the Fair Labor Association (FLA) which has provided support in adopting FLA labor environment standards throughout the entire supply chain, evaluated our monitoring activities related to labor conditions, provided guidance for improvement, and encouraged us to dialogue and engage with stakeholders, including member brands, factories, and Civil Society Organizations to tackle issues related to labor conditions.

In February 2019, the FLA accredited the Fast Retailing's social compliance program. Participating companies with accredited social monitoring programs have demonstrated that they have the systems and procedures in place needed to successfully uphold fair labor standards throughout their supply chains.

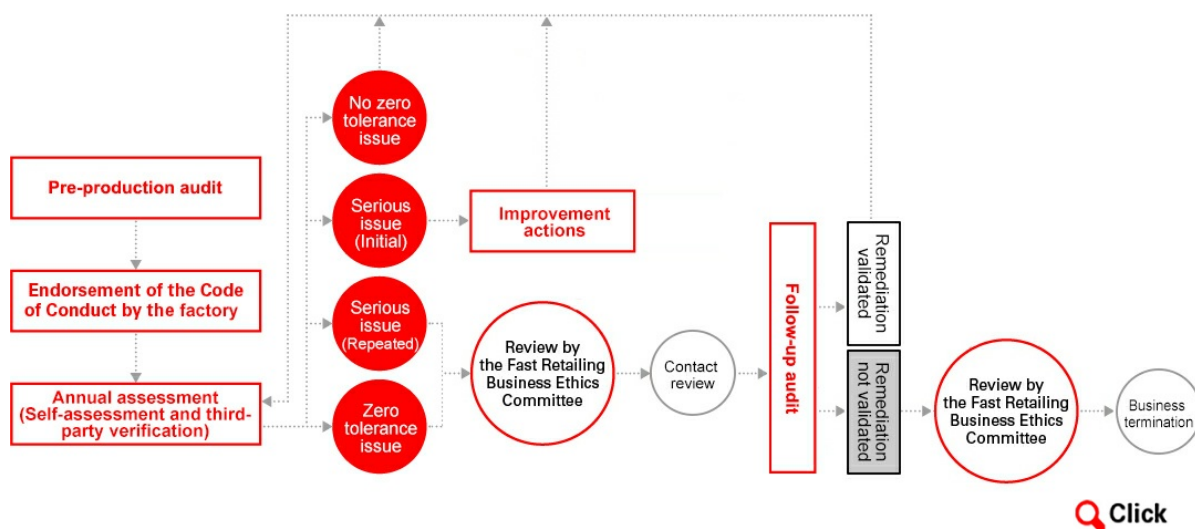
#### Related Links

- ▶ [FAST RETAILING CO., LTD. ASSESSMENT FOR ACCREDITATION](#)

The Supply Chain Labor Management Team from our Sustainability Department (hereinafter Sustainability Department) leads a workplace monitoring program and other supply chain social initiatives across all Fast Retailing brands. The managers of the Sustainability Department manage the programs and work plans, and

report to the Executive team, who oversees the strategic direction of the Sustainability Department. The Supply Chain Labor Management Team members are based in Japan, where our headquarters are located, as well as in key production countries such as China, Vietnam, Indonesia and Bangladesh. This is to ensure proper communication with not only our production partners' management and workers, but also local individuals and groups in their local languages. Twice a year as part of the company's evaluation system, the Group Officer, managers and team members are appraised on their performance of supply chain-related social initiatives as part of our efforts to promote our human rights policy commitments. This evaluation is a factor used to determine remuneration of these individuals.

#### ■ Workplace Monitoring System\*



\*The evaluation and improvement flow of factories which participate in the Better Work assessment program are not included in the above.

Since September 2020, we have been working to transform our monitoring program to encourage factories to independently strengthen their management system of the working environment with their own initiatives. We have been transforming from conventional unannounced audits performed by third-party organizations to a process that enables factories to have ownership to assess and address risks and challenges in the working environment. This is achieved by using the assessment tool of the Social and Labor Convergence Program (SLCP), an industry-wide Converged Assessment Framework We will implement SLCP in all garment factories and key fabric mills by the end of fiscal 2023.

Traditionally, factories have been subjected to multiple audits, each performed as part of the discrete programs of several buyer brands, which impeded factories from making improvement effectively. SLCP is an organization that has developed and provided a common framework across the industry. A factory conducts self-assessment using the SLCP assessment tool, receives verification by a third-party body, and proceeds to improvement process. The SLCP assessment tool contains many indicators which can be utilized to strengthen management systems such as policies, organizations, documents on internal processes, and the review and improvement of processes. The conventional monitoring program was audit-centric and tended to focus on corrective actions for issues found in audits. Now, factories are expected to establish a cycle of identifying issues in the working environment, then executing improvement actions through their own systems. A factory can share their verified SLCP data with multiple buyers, therefore reducing the number of audits they must complete throughout the year.

SLCP assessment and verification are carried out through the Higg platform using the Facility Social and Labor Module (FSLM). On the platform, the factory and brand can check factory assessment results and scores, using a scoring methodology that has been developed by the Sustainable Apparel Coalition (SAC). This helps us analyze results by comparison with industry averages and year-to-year data, and to identify issues and priorities more clearly to plan improvements.

An assessment using the SLCP framework is conducted annually in principle. Factories perform self-assessment

and third-party verification in accordance with the SLCP protocol. In verification, a Verifier Body visits a factory, interviews workers, trade union members, worker representatives and factory management, reviews collective bargaining agreements and various records, and checks occupational health and safety through onsite inspections. Fast Retailing receives a verified assessment report and evaluates this in line with our Code of Conduct for Production Partners.

#### **Related Links**

► [Social and Labor Convergence Program](#)

Fast Retailing has a zero-tolerance policy for issues that seriously violate human rights. The issues that fall under the zero-tolerance standard are child labor, forced labor, coercion and harassment, discrimination, serious violation of freedom of association, underpayment of minimum wages and falsification of records. When any such violations are found, factories are required to remedy the matter immediately. In addition, matters resulting from inadequate management of working environments are categorized as serious issues. If a serious issue is identified, we urge the factory to make early improvement. Fast Retailing employees visit the factory within a certain timeframe, dependent on the severity of issues, to urge the factory to implement systems that prevent the issue from recurring. We confirm such preventive systems have been established in the next annual assessment.

If a zero-tolerance issue is found, or a serious issue is again found after a previous assessment, the matter is escalated to the Business Ethics Committee, which determines whether to terminate or modify our business relationship. In parallel, we discuss measures with the factory and monitor them until improvement is completed. The Business Ethics Committee considers the potential financial impacts to the factory and to worker employment, and makes recommendation on business contract review to the Production Department. We may terminate business when remediation of a serious issue is not validated in a follow-up audit. Fast Retailing strives to avoid such scenarios by closely monitoring factories and preventing serious issues that may lead to contract review or business termination.

#### **• Major zero-tolerance issues:**

Child labor, forced labor, coercion and harassment, discrimination, lack of building safety, serious violation of freedom of association, illegal or unjustified dismissal of workers on strike, retaliation against employees who raised grievances, non-payment of wages, non-payment of minimum wages, lack of emergency preparedness (especially fire safety), transparency issues such as false reports, bribery, wrong reporting of the audit scope of production areas, unauthorized subcontracting and use of homeworkers

#### **• Major serious issues:**

Insufficient payment for overtime, no legal leave provided, non-payment during work stoppage, non-payment of social insurance premiums, long working hours, no legal breaks provided, no employment contracts or incomplete contracts with employees

We evaluate and grade factories on a scale of G1 to G5 based on the results of our workplace monitoring program and disclose evaluation results every year. Factories that comply with the Code of Conduct for Production Partners and have no issues are rated G1. Factories with relatively low risk issues (e.g. improper use of personal protective equipment such as masks and gloves, lack of occupational safety training for all employees etc.) receive a G2 rating. If an issue that may violate human rights is found (e.g. obstacles on the evacuation route, lack of regular evacuation drills, inadequate recording of time-in and time-out etc.), the factory will be graded as G3. If a serious issue is found, it is graded as G4, and if any zero-tolerance issues are found, it will be graded as G5. Please see the results of workplace monitoring [here](#).

Fast Retailing's Monitoring Program Manual and Supplier Guidebook include the remediation process, timelines following the completion of assessments at the factories and root cause analysis. Additionally, we provide guidance and resources for factories to understand various root cause analysis methodologies, including the FLA's guidance on root cause analysis, so preventive measures are set. Overall audit results and most-frequent findings are disclosed on our website and communicated with our business partners and internal procurement-related departments at each of our brands.

## ■ Monitoring Program Improvement

We evaluate the effectiveness of our monitoring program by analyzing the results of annual assessments. Based on this analysis, we set clear goals to reduce issues and improve scores in key focus areas such as health and safety, wages and benefits, and working hours. The Fast Retailing Hotline for factory workers is an important tool to identify any potential new issues in between these assessments. At least twice a year, trends and risks identified through the monitoring program and other initiatives, including critical issues relating to salient risks, country and region-specific risks. Follow-up assessments of high-risk factories are reported to management. These matters are escalated to the Human Rights Committee and/or Sustainability Committee as required. In addition, we work to improve our program through third-party expertise and input. This includes FLA accreditation, plus learnings from independent industry programs, such as Better Work.

For example, analyzing worker grievances made through the Fast Retailing Hotline helps us improve our monitoring program and strengthen our production partners' own grievance mechanisms, assisting factory management to detect, investigate and rectify issues.

We also analyze labor violation trends by country and individual brands, including how many facilities are passing or failing their annual assessments. We have developed country-specific strategies for Bangladesh, Cambodia, China, Indonesia, India, and Vietnam. Countries priorities have been defined through stakeholder engagement and aligned with business strategies.

## ■ Subcontracted Factories Audits

Fast Retailing strictly prohibits production at unauthorized subcontractors in our Code of Conduct for Production Partners. Our core garment factories are required to audit subcontracted processing factories to which they have outsourced a part of their production processes and receive approval from Fast Retailing. Processing factories undergo the audit every year. If any zero-tolerance issue is found in the audit, the processing factory must remediate it within a timeframe agreed upon with Fast Retailing and pass the follow-up audit.

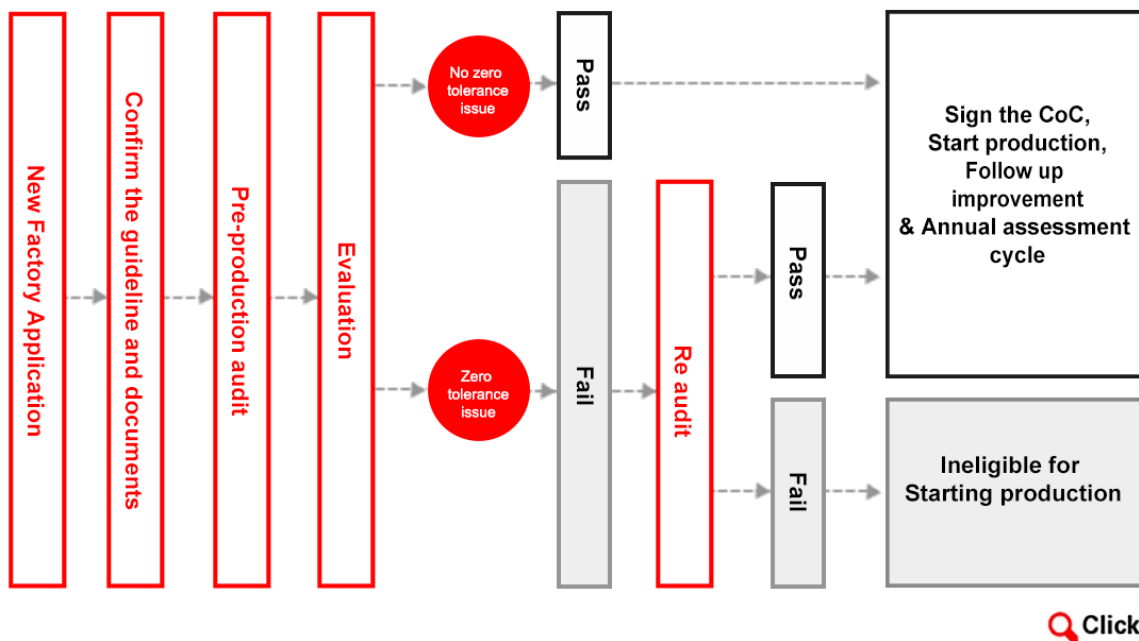
We also check if a garment factory uses only authorized processing factory as part of the annual assessment process.

## Due Diligence for New Production Partners

### ■ Monitoring Potential New Production Partners Prior to Commencing Business

We conduct due diligence on any potential new partner prior to commencing business with them. This process ensures potential partners comply with our Code of Conduct for Production Partners. We only do business with those partners confirmed to meet standards for commencing new business relationships. Factories that had a zero-tolerance issue are eligible to start business with us only once corrections are confirmed in a follow-up audit. During fiscal 2022, we initiated business relationships with 91.2 percent of potential partners.

## Approval Process for New Factories



## Workplace Monitoring Results

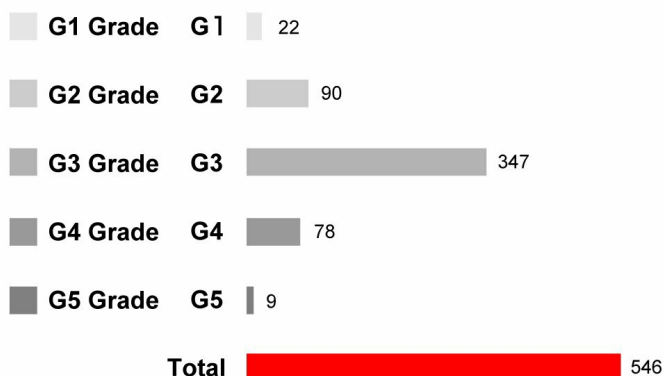
### ■ Results of Workplace Monitoring

The results of fiscal 2022 workplace monitoring are as below.

Zero-tolerance issues found in G5 factories include insufficient number of emergency exits, no fire alarms installed, discriminatory conditions in hiring employees and so on. We agreed on improvement plans and preventive measures with all the nine G5 factories and have been monitoring the progress of improvements. The major serious issues confirmed at G4 factories are: no statutory leave provided, excessive working hours, underpayment or insufficient severance payment, no or insufficient employment contracts. We also agreed on improvement plans with G4 factories, and Fast Retailing employees visit the factories to check the progress of improvements.

### Workplace Monitoring Result of Garment Factories

#### FY2022



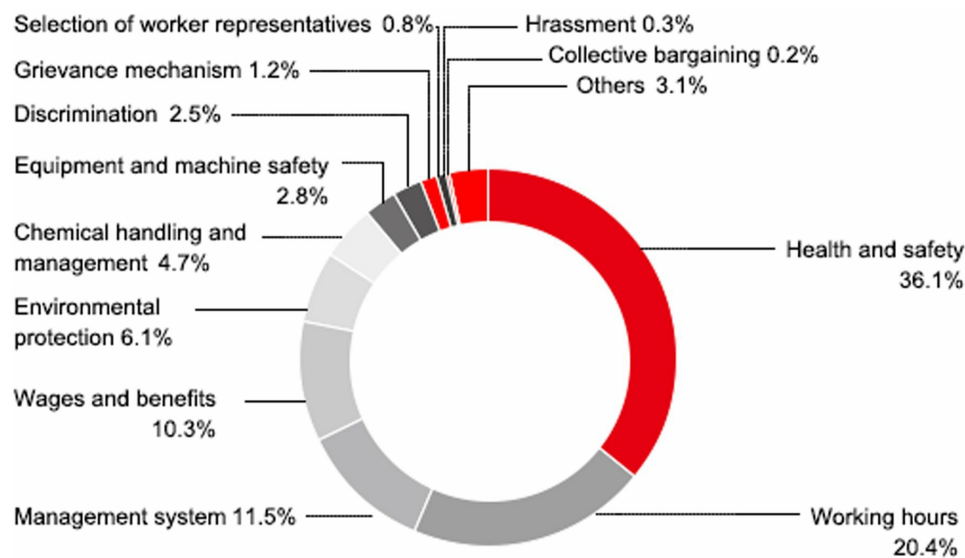
Grade	Description
G1	No violations identified
G2	Relatively low-risk violations (e.g. improper use of personal protective equipment such as masks and gloves, lack of occupational safety training for all employees)

G3	Potential violations of human rights (e.g. obstacles on the evacuation route, lack of regular evacuation drills, inadequate recording of time-in and time-out)
G4	Major violations of human rights and the Code of Conduct for Production Partners (e.g. no statutory leave provided, excessive working hours, underpayment or insufficient payment of retirement benefits, no or incomplete employment contracts)
G5	Major violations of the Code of Conduct for Production Partners including child labor, forced labor, non-payment of minimum wages, lack of emergency preparedness (e.g. locked emergency exit)

### ■ Frequent Violations in Fiscal 2022

The most frequent violations of the Code of Conduct for Production Partners found in audits during fiscal 2022 are categorized in the areas of health and safety and working hours. Fast Retailing has required factories which had issues in those areas to establish management systems to prevent recurrence.

### Breakdown of Violations Found During Fiscal 2022



### ■ Remediations and Improvement of Working Environment

The most frequent violations of the Code of Conduct for Production Partners found in the workplace monitoring are categorized in the areas of health and safety and working hours. We have engaged in improvement through the following initiatives.

#### Health and Safety

In order to secure health and safety at production partners, Fast Retailing conducts regular training for suppliers on local fire safety standards, new local law requirements, and good practices of health and safety management etc. When the Sustainability department visits a factory, we always check onsite if proper fire protection is in place and require immediate improvement when an issue is found. Issues in health and safety vary and include fire safety, occupational safety and chemical management. We require factories not only to address individual issues, but also to establish preventive systems such as designated teams to manage occupational health and safety and to perform regular check-ups of fire safety and building safety.

Fast Retailing signed the International Accord for Health and Safety in the Textile and Garment Industry (formally Accord on Fire and Building Safety in Bangladesh), aimed at protecting workers in garment factories from building collapse and fire.

#### Related Links

- [Initiatives for Building Safety in Bangladesh](#)  
("International Accord for Health and Safety in the Textile and Garment Industry")

#### Working Hours

Fast Retailing addresses improvement of transparency in the supply chain and strictly prohibits factories from submitting falsified documents. We not only monitor working hours during audits and follow-up audits, but also have strengthened internal, cross-department collaboration among the Sustainability and Production departments to address the working hours issue at our core garment factories under our clear policy to prevent excessive working hours. The Production department follows up with factories to identify the root causes and creates an improvement plan. The Production department then collects the actual weekly working hours of all employees in those factories every month so as to monitor the situation.

In order to reduce working hours, we noticed that factories took various actions to increase productivity: investing in factory automation, optimizing production planning, training workers so they can be more skilled and adapting the compensation scheme to worker efficiency. The Production department also requests factories to forecast excessive working hours and inform us so that our production planning can be adjusted when possible.

The Sustainability department monitors the factories' implementation of their improvement plans and at times will verify working hours' data on site. Regular internal meetings are held to follow-up on the progress of core factories. At the same time, our Sustainability department supports factories through close follow up, sharing best-practice guidelines to improve the compliance with local laws on worker wages and benefits, and to secure worker income in times when working hours are reduced. We have also established a responsible procurement policy to ensure the placement of orders according to procedures that protect the working environment of factories and which emphasize human and worker rights.

To promote responsible procurement, we have formulated guidelines that are in line with the procurement operations of our core brands. We conduct a yearly survey to collect feedback from core suppliers, and conduct hearing sessions to understand if our procurement practices could hinder factory efforts to reduce overtime hours. Supplier feedback is evaluated by our Production and Sustainability departments to agree on actions that will address the root cause of overtime hours in factories experiencing difficulties.

Even though we have noticed improvement at the majority of core garment factories, we will continue to monitor and provide support when necessary.

## **Grievance Mechanisms**

### ■ **Grievance Mechanisms**

#### **Grievance Mechanisms in Factories**

Fast Retailing asks factories to establish their own mechanism to address employees' grievances as part of proper business management following FLA's standards. The requirements for grievance mechanisms stipulated in Fast Retailing's Supplier Guidebook include:

- The factory shall establish written procedures and clear processes for grievance handling, including an organizational structure, responsible persons, guidelines on how to handle grievances, and anti-retaliation policies.
- The factory shall ensure that the grievance mechanisms include at least one confidential channel.
- The factory shall conduct and record orientation and refresher training on grievance mechanisms for managers and supervisors, as well as all general workforce. Surveys, feedback sessions, interviews and/or dialogues shall be conducted for verifying knowledge gained upon completion of the training, and the training records shall be kept.
- The factory shall have a means to document and track grievances to ensure there is a timely response back to complainants.
- The factory shall ensure that all grievance policies and procedures are updated according to local legislative changes and internal/external audit results.

Compliance with the above requirements is confirmed through our workplace monitoring system.

The United Nations Guiding Principles on Business and Human Rights (UNGPR) defines eight criteria for an effective grievance mechanism. The eight criteria are "Legitimate", "Accessible", "Predictable", "Equitable", "Transparent", "Rights compatible", "Source of continuous learning" and "Based on engagement and dialogue." Fast Retailing requires factories to meet these criteria in the grievance mechanism guideline distributed to them.

#### **Fast Retailing Hotline for Factory Employees**



We established the Fast Retailing Hotline that provides a channel for employees and organizations representing a group of individuals at core garment factories and fabric manufacturers to contact us directly and anonymously in their local languages. These programs exist in Shanghai, Ho Chi Minh City, Dhaka, Jakarta, Tokyo, and other locations. Upon our request, Fast Retailing partner factories shall display Fast Retailing Hotline posters that are provided by us, in a location visible to workers inside their factories. We request factories to communicate to workers of each factory so that they are aware of the Fast Retailing Hotline to voice their concerns, without fear of retaliation and prejudicial treatment should they raise a grievance. Workers are provided the contact details to access the Fast Retailing Hotline in their local languages and contact cards are given to workers who are interviewed during audits conducted by third party auditors or site visits by our Sustainability Department.

Once we receive a concern from the Fast Retailing Hotline, we aim to respond to each complainant within 24 hours. The communication can be via SMS, email, phone or other tools, depending on the technology situation in the region. Fast Retailing investigates the grievance to identify the underlying issue and takes appropriate remedial action. When we identify a human rights violation, our Sustainability and Production departments ask factories to make improvements and corrections in line with International Labor Organization Fundamental Conventions, local labor laws and our Code of Conduct for Production Partners. After investigation and agreement with the factory, we inform the complainants of the action and agreement with the factory on how to address the issue raised. We also ask the complainants to inform us if the actions are not implemented or if the issues reoccur. In addition, Fast Retailing verifies that agreed actions are implemented by the factory through third-party audits or through site visits by our Sustainability Department. Grievances are also reported to the Human Rights Committee. For cases involving egregious grievances, the Human Rights Committee will give advice or suggestions on countermeasures.

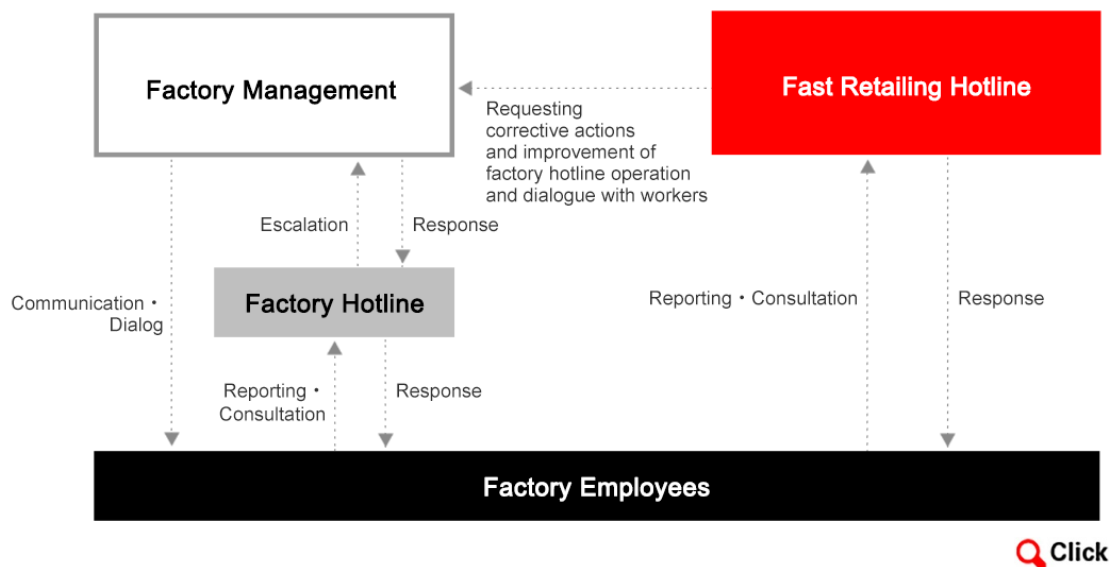
Fast Retailing will ensure that reports are dealt with confidentially. The Factory Hotline is handled by Fast Retailing employees and all employees are required to strictly follow the Fast Retailing Group Code of Conduct which covers the handling of confidential information and data. We protect the privacy of people who raise concerns and strictly prohibit retaliation and disadvantageous treatment against them. We commit to engage with any impacted people and reply to them in a prompt and consistent manner. We regularly confirm that our hotline is functioning effectively. For example, Sustainability Department members confirm that Fast Retailing contacts all complainants promptly once they raise a concern and that grievances are closed within an acceptable time frame for them.

We evaluated the functionality of our hotline against the eight criteria defined in the UN Guiding Principles on operational-level grievance mechanism. Assessment results showed challenges in "Accessible" and "Equitable" compared to other criteria. To make the hotline more recognizable and accessible, we provide multi-language posters so migrant workers can obtain information on how to use the system in their native language. The evaluation also revealed that we need to facilitate access to local expertise or counsel for workers who have raised concerns to us. With the support of International Organization for Migration (IOM), we are mapping and screening local NGOs which can support foreign migrant workers while employed at factories, or when they return to their home countries, in cases where a concern is raised via our anonymous hotline that requires specialist expertise.

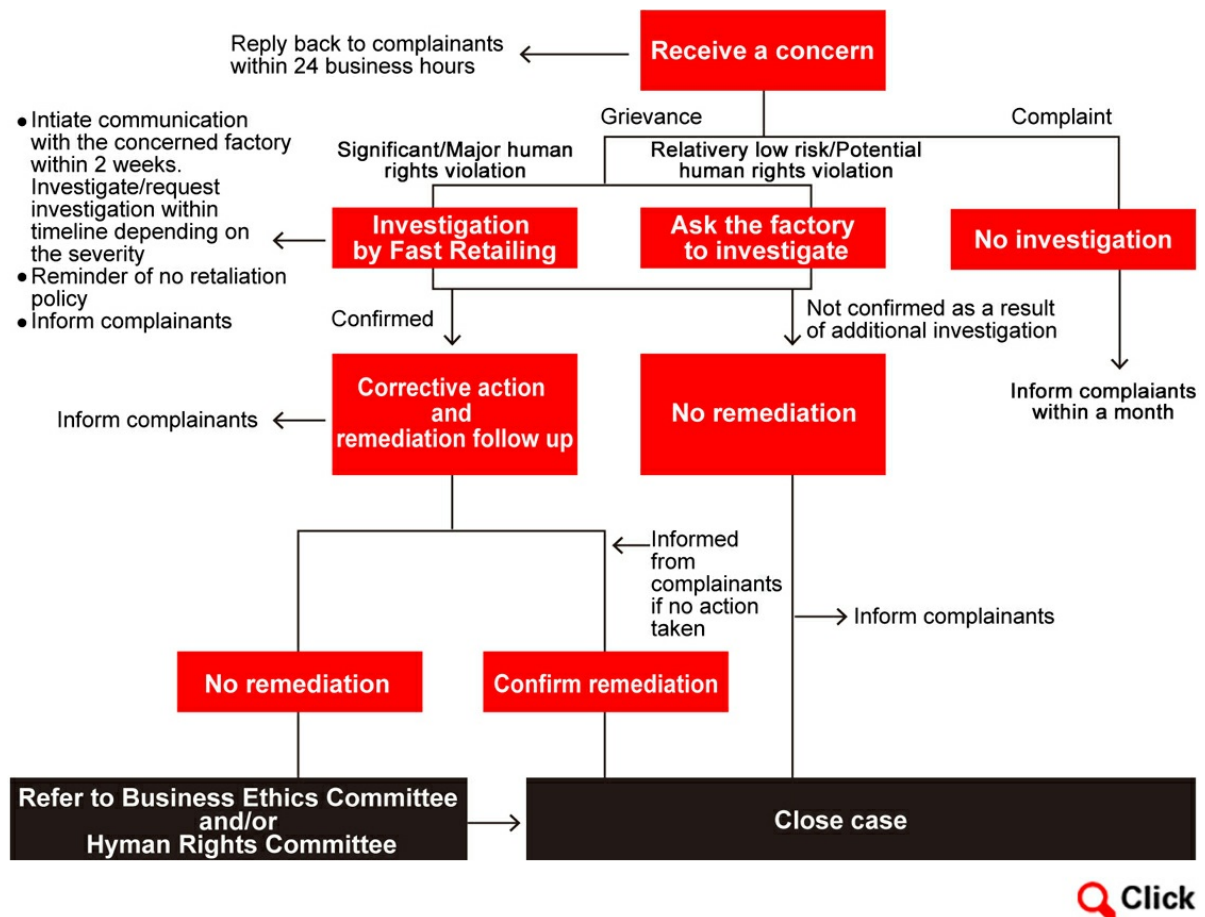
To improve our hotline from 2020, we sought the views of factory workers, consisting mainly of employee representatives such as union members. So far, we have received feedback that regular explanations by factory management and posters are effective ways to ensure more workers recognize the Fast Retailing hotline. We will continue to raise worker awareness of our hotline by requesting that factories plan explanation sessions and will reconfirm that posters are placed on-site.

### **Factory Hotline Operational Process**





#### Fast Retailing Hotline Communication Flow



#### ■ Grievances Related to Human Rights Violations

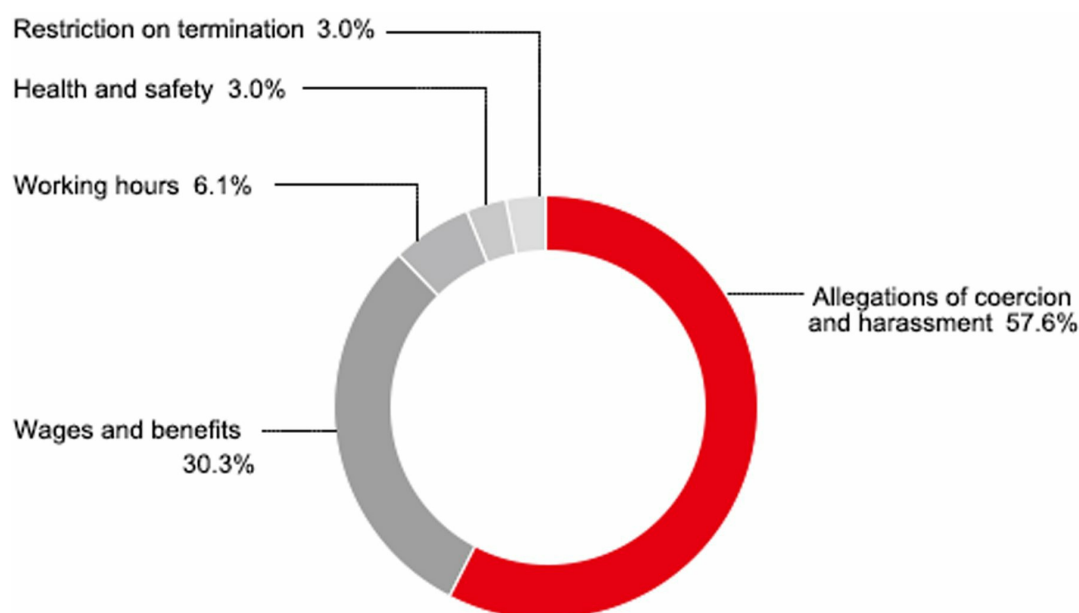
Among grievances raised to the Fast Retailing Hotline in fiscal 2022, 33 cases were assessed as violations of ILO core conventions, local labor laws or the Code of Conduct for Production Partners. We closed 28 cases out of 33 during fiscal 2022.

Fast Retailing has also analyzed grievances received to put in place preventive measures. For example, we found that most grievances related to wages and benefits were brought up due to worker misunderstandings of wage systems, wage calculation methods, procedures to pay and receive severance pay. In response, we urged factories to explain these to employees in more detail. For factories which had many grievances, we provided training to strengthen the processing system of grievances operated by the factory and supported them to

establish procedures to plan and execute improvement actions. As a result, the number of grievances reduced.

### Breakdown of Grievances\* Received During Fiscal 2022

\*Cases reported as violations of ILO core conventions, local labor laws or the Code of Conduct for Production Partners



### ■ Grievance Remediation Cases

- Case 1 (Cambodia)  
In 2021, when a partner factory registered a part of its facilities as a new company, worker representatives raised concerns that workers working at the facilities would be dismissed. Fast Retailing coordinated with the assistance of an arbitral body, a dialogue between the trade union, worker representatives and factory management. The factory management explained that the workers would not be dismissed and that the new company would still uphold the rights of workers as before, and the workers understood the situation. Since then, the factory management has held weekly meetings with the trade union to discuss working conditions and other matters.
- Case 2 (Vietnam)  
In 2022, Fast Retailing received a grievance from a worker who was told to continue working for a few more months by the supervisor when the worker tendered her resignation. Fast Retailing conducted an onsite investigation and found that the factory was facing labor shortage due to the COVID-19 pandemic, and as a countermeasure, the production line leaders did not allow workers to freely resign. We requested the factory not to violate the legal rights of its employees and to rectify its practices that restricted resignation. In the end, the worker resigned from the factory at the desired time. The worker left the factory at the desired time eventually. The factory management and the human resource department reviewed their practices and updated internal procedures to process resignation, and introduced it to their employees through training.
- Case 3 (Bangladesh)  
In 2022, a worker raised a grievance to Fast Retailing, reporting that a production line leader verbally abuses and touches female workers inappropriately when giving them instructions in the department. Fast Retailing verified this case during an onsite investigation, and requested the factory to set up an investigation committee and submit an investigation report. After confirming the facts, the investigation committee had the line leader submit a detailed report and pledged to make improvements. We informed the worker of the factory's actions and received a response that the result was satisfactory. The committee will keep monitoring the leader's behavior closely.

### Preventive Measures and Actions Taken for Addressing Industry-wide Human Rights Issues

Fast Retailing takes preventive measures and variety of actions for solving human rights issues identified through our due diligence processes and stakeholder engagement, involving local and global experts.

### ■ Prevention of Child Labor

Child labor is a serious social issue that impedes the healthy growth of children and deprives them of educational opportunities. Fast Retailing is working to abolish and prevent child labor based on the international guidelines such as "Children's Rights and Business Principles". Fast Retailing has been mandating production partners to have preventive measures against child labor in the supply chain, this is clearly stipulated in our Code of Conduct for Production Partners. In workplace monitoring, auditors check if factories validate the ages of workers with proper identification in recruitment.

In Myanmar, we partnered with a local organization to conduct supplier training on child labor risk and prevention, and young worker labour laws in 2018. It provided guidance on proper age verification and recruitment processes as well as on remedial actions to take if an issue is found. Following the training, factories developed or reinforced their internal rules and procedures and they implemented recruiting process to check workers' age carefully.

In 2020, we launched a pre-production assessment of child labor risks for potential new garment factories in Myanmar. We assess child labor risks and evaluate management systems of young workers using an assessment tool developed in collaboration with a local social enterprise. Factories assessed as having a high or medium level of risk are required to be trained based on the assessment results. The content of the training for factory management includes preventive processes against child labor, best practices of preventive measures as well as methods to deploy child labor prevention policies to factories that they subcontract production processes to. Since then, factories have established internal regulations and operation manuals, and conducted trainings on related laws and regulations regularly to strengthen efforts to prevent child labor.

#### ■ Responsible Recruitment

Fast Retailing has clarified in its Code of Conduct for Production Partners to specify that there is zero-tolerance for forced labor including human trafficking. In the supply chain, migrant workers are especially vulnerable to discrimination in the recruitment process. Respecting the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, we monitor that workers are to be treated fairly in the recruitment process and during employment as well as enforce initiatives such as training to encourage garment factories and fabric mills who are the primary employers of migrant labor in the apparel sector.

In February 2019, Fast Retailing signed the commitment to Responsible Recruitment as defined by the Fair Labor Association (FLA) and the American Apparel & Footwear Association (AAFA) in October 2018. This is the industry's commitment to mitigate potential forced labor risks for migrant workers in the global supply chain. We will work with garment factories and fabric mills globally to create conditions so that:

- No workers pay for their jobs,
- Workers retain control of their travel documents and have full freedom of movement,
- All workers are informed of the basic terms of their employment before leaving home.

Driven by its participation in the above commitment to Responsible Recruitment, in September 2019 Fast Retailing launched a new partnership project with the International Organization for Migration (IOM) to study the recruitment and employment conditions of migrant workers in the company's supply chains. The IOM is the leading inter-governmental organization in the field of migration. The partnership project aims to increase visibility into the company's supply chains, as well as to develop our capacity to respond to identified challenges related to the human and labor rights of migrant workers. The collaboration included an assessment of recruitment practices carried out by garment factories and fabric mills that employed migrant workers in Japan, Malaysia, and Thailand. The project also included training for Fast Retailing management, sourcing teams, and country officers to embed principles and measures protecting migrant workers in company policies and guidelines.

In 2020, with the support of the IOM, FLA and ASSC\*, we adopted the Fast Retailing Standards and Guidelines on Responsible Recruitment of Migrant Workers for Production Partners (the Guidelines) and the methodology to assess compliance with the Guidelines by factories.

\*ASSC: The Global Alliance for Sustainable Supply Chain (ASSC), an NGO in Japan that promotes initiatives on human rights and working environment issues, including those of migrant workers

The Guidelines stipulate the following principles:

- No workers pay for their jobs
- Workers are informed of the basic terms of their employment before signing employment contracts
- Workers retain control of their identity, travel and any other documents

The Guidelines also stipulate the requirements of factories and provide detailed guidance on how to comply, as outlined below:

#### Policies and procedures

- Factories shall establish policies and procedures to respect migrant workers' human and labor rights, including those that prohibit charging workers any recruitment fees or employment-related costs directly or indirectly. Production partners shall designate teams to be responsible for implementing and monitoring these policies and procedures.

#### Due diligence on labor recruiters

- Factories shall conduct ongoing risk assessments on labor recruiters involved in factory recruitment processes, and will confirm compliance with laws, regulations and the Guidelines. In these assessments, factories shall confirm whether labor recruiters follow each requirement, such as providing pre-employment orientations that cover terms of employment, job description, and wages and working hours, in a language applicants understand.

#### Corrective action

- Factories shall develop corrective action plans to remediate violations of laws and regulations and the Guidelines, as well as violations made by labor recruiters. Factories shall terminate relationships with labor recruiters who do not cooperate with assessments, or who are unwilling or unable to remedy violations within a reasonable timeframe.

#### Access to remedy

- Production partners shall ensure migrant workers are informed about grievance mechanisms, and have open and direct access to these mechanisms. When human rights violations are identified, factories shall address the violations and provide a remedy to the aggrieved individuals.

Since March 2020, we have held explanatory sessions for garment factories and key fabric mills that employed foreign migrant workers located in Japan, Malaysia, and Thailand to explain and increase their understanding of the Guidelines. Factories have enhanced their management systems and made efforts to operate in accordance with the Guidelines and they also have been proactively conducting training on related laws and regulations.

In January 2022, we launched workplace monitoring focused on foreign migrant workers' recruitment and employment in line with the Guidelines. If a zero-tolerance issue arises, such as, where fees and costs paid by foreign migrant workers are not reimbursed, or we find no validated improvement of a previously identified serious issue, the matter is escalated to the Business Ethics Committee. The Committee discusses the potential financial impact on the factory in question and the associated risk of worker dismissal. The Committee then determines whether to terminate or modify our business relationship and makes recommendations to the Production department. In parallel, we discuss measures with the factory and monitor them until improvement is completed. We may terminate business when remediation of a serious issue is not validated in a follow-up audit. When other issues are found, factories are required to develop the improvement plan within a timeframe agreed on with Fast Retailing and execute improvement actions. The status of the actions will then be confirmed in the next annual audit.

We have found several issues that violate the basic principles such as the payment of recruitment fees (e.g. travel costs, passport renewal fees) by migrant workers, and the fact that migrant workers sometimes do not fully understand the terms and conditions of their contracts before they leave their countries. We have agreed on improvement plans for these issues with factories and monitor progress until the planned improvements are completed.

In 2022, in partnership with IOM, training was conducted to enable production partners to effectively implement the guidelines. We have also started to reach out to recruitment agencies in the countries of origin of migrant workers.

- In August 2022, Fast Retailing conducted training with the support of IOM on how to implement the guidelines for production partners in Japan. The training helped factories better understand how to identify human rights risks of migrant workers in the recruitment process and how to assess internal recruiters' practices for compliance.
- In August to September 2022, IOM provided basic training of responsible recruitment to recruitment agencies in Sri Lanka and Nepal, countries where many migrant workers come from. Through the training, we confirmed that the recruitment agencies understood and complied with Fast Retailing's standards and guidelines of responsible recruitment.

Towards the end of 2022, we will work with IOM to engage in dialogues with civil society and community-based organizations in Nepal and Vietnam to better understand the situation of migrant workers.

### ■ Coercion and Harassment

Coercion and harassment is an issue that can lead to adverse effects on the working environment and workers' physical and mental health. For a healthy working environment, it is crucial that workers can work without fear of coercion and harassment. Fast Retailing does not accept any forms of coercion and harassment and clearly stipulates in our Code of Conduct for Production Partners that all workers shall be treated with respect and dignity.

As a result of grievances and country risk analysis, we found that remedies and preventive measures against harassment issues were required in factories in Bangladesh. Subsequently in 2019, we launched a pilot project to put in place a complaints committee in some of our factories partnering with two local NGOs in Bangladesh, Awaj Foundation and Change Associates Ltd. The committee must consist of at least five members, the head of the committee and the majority of its members must be female, and two members must be from outside of the factory. The committee is to establish anti-harassment policies and guidelines, investigate issues and conciliate harassment cases. The committee will meet every second month. Management, workers and committee members were trained by the NGOs to gain basic knowledge on harassment through open discussion on concrete cases of inappropriate language and behaviors.

By the end of fiscal 2021, training by the NGOs was provided to factory management, workers and committee members at 29 factories. The training included train-the-trainer for two employees per factory. The trained employees in turn conducted training on gender equality and committee protocol for middle managers and all employees at each factory.

In fiscal 2022, Fast Retailing provided training to management, workers, and complaint committee members in eight factories that we started doing business with. In 29 factories where we conducted training in fiscal 2021, we provided additional training focused on problem solving for two trainers per factory. These trainers provided training on gender equality and complaint committees to middle management and all employees in their factories.

By the end of fiscal 2022, all garment factories in Bangladesh established policies and guidelines on harassment prohibition, procedures to manage a Complaints Committee and established such committees. Fast Retailing developed audio clips, aiming at raising employees' awareness of harassment in factories, and conducted checks that they are played onsite during factory visits. The audio clips provide a simple, easy-to-understand definition of harassment, including who employees should report their grievances to and what action can be expected from the committee. Fast Retailing also assessed the functionalities of the committees. The assessment evaluated policies, guidelines, mechanisms and operations of management systems for training and grievances in the factories.

### ■ Wages and Benefits & Living Wage

In order to ensure fulfilling and stable lives of people working in the supply chain, Fast Retailing aims not only to guarantee minimum wages, but also to realize living wages. To meet legal requirements regarding wages and benefits, we set clear goals to reduce the number of audit findings on wages and benefits, and working hours. Our Sustainability Department supports factories through close follow up, sharing good practice examples to secure worker income while working hours are reduced.

In the Fast Retailing Code of Conduct for Production Partners, we state that a living wage should be at a level which not only satisfies workers' basic needs for clothing, food and housing, but also enables workers' decent

lives.

Fast Retailing is a member of the Fair Labor Association (FLA) which established a commitment to fair compensation in 2015. The FLA uses compensation data collection methodology derived from the Ankers' methodology of the Global Living Wage Coalition and various civil society organizations' expertise in setting living wage benchmarks and understanding workers' basic needs from a local perspective. Fast Retailing will analyze compensation data and how it is paid in our factories in collaboration with FLA to understand how solutions can be implemented to address identified wage gaps.

For more details of Fast Retailing's goals and initiatives to realize the living wage, please visit:

[PDF](#) Living Wage Approach (256KB)

#### ■ Initiatives to Help Combat COVID-19

To help reduce risks faced by workers at factories in the COVID-19 pandemic, Fast Retailing emphasizes the safety and security in the working environment. We have advised factories to protect factory employees from the risk of infection, ensuring that hand washing, body-temperature measurements, and mask wearing are practiced. In addition, we have committed to payment for complete orders and orders where production has commenced with agreed conditions to support production partners. We have also provided factories with guidelines to help them understand their obligations to employees in the case of factory closure. Furthermore, we operate an anonymous hotline that factory workers can use to contact us directly to report violations of their right to receive compensation during factory closure. We conducted assessments of preventive measures against infection and health and safety control as well as worker interviews at factories in countries and regions including India and Bangladesh where the pandemic was more serious. We have provided guidance for issues found and have monitored the situation at factories in order to mitigate the negative impact of the pandemic where possible.

We endorsed the ILO 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.

#### Related Links

- [Fast Retailing Support for Manufacturing Partners and Workers During COVID-19 Pandemic](#)
- [COVID-19: Action in the Global Garment Industry](#)

#### Training for Production Partners

We conduct regular training to ensure production partners understand the Fast Retailing Code of Conduct for Production Partners and the latest in labor standards, etc. For example, we offer programs that cover any revisions and updates to the code of conduct, fire prevention safety standards, correct pay calculations for overtime work, and other matters. During fiscal 2022, we conducted training for a total of 465 factories across 19 different countries and regions.

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