**KnowTheChain 2023 Apparel & Footwear Benchmark**

**Additional Disclosure**

**Company Name:** Fast Retailing  
**Date:** 15 September 2023

**Guidance:**

- Please add any additional information you wish to provide under the relevant indicator elements below.
- We welcome examples of leading practices. Unless you are sharing leading practices, please limit the information to indicators for which KnowTheChain could not yet identify sufficient information on your website.
- Note **KnowTheChain has already undertaken a review of your website.** Should you wish to include links to existing disclosure, please specify the page number / section you are referring to.
- Column F in the Scored Research tab of your excel sheet highlights questions to your company where the KnowTheChain team is seeking clarification or further detail on particular points of your company’s disclosure.

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**INDICATOR 1: SUPPLIER CODE OF CONDUCT AND CAPACITY BUILDING**

1.1 has a supplier code of conduct that requires suppliers to respect the ILO core labour standards, which include the elimination of forced labour; and requires suppliers to cascade/implement standards that are in line with the company’s supplier code of conduct; and

The Code of Conduct (COC) for Production Partners requires signatory factories to apply the COC to upstream factories with whom they do business. Specifically, in the ‘**Subcontracting and Procurement**’ section of the COC for Production Partners, it states: **Additionally, when production partners procure raw materials or indirect materials necessary for the manufacture of our products from third parties, production partners shall not conduct business with suppliers whose business activities violate this code of conduct.** In the event that production partners will use any subcontractors and/or procure any raw materials or indirect materials necessary for the manufacture of our products from third parties, the consent of FAST RETAILING shall be obtained prior to engaging such third party. In the event FAST RETAILING wishes to confirm that the business activities of the subcontractors and/or suppliers of a production partner are in compliance with this code of conduct, the production partner shall address such requests in good faith and cooperate as required by FAST RETAILING”.


1.2 engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labour to their own supply chains and/or trains suppliers below the first tier on such policies, and measures the effectiveness of capacity building.
**INDICATOR 2: MANAGEMENT AND ACCOUNTABILITY**

2.1 has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labour; and discloses how incentives for staff (e.g. bonuses, part of employee performance reviews) are tied to improvements in working conditions in supply chains;

Twice a year as part of the company's evaluation system, Group Executive Officers, managers and team members are appraised on their performance of supply chain-related social initiatives including improvements to working conditions as part of our efforts to promote our human rights policy commitments. This evaluation is a factor used to determine remuneration of these individuals.

Source: [https://www.fastretailing.com/eng/sustainability/labor/partner.html](https://www.fastretailing.com/eng/sustainability/labor/partner.html)

2.2 discloses how it trains relevant decision-makers within the company on risks and policies that address forced labour; and

2.3 has tasked a board member or board committee with oversight of its supply chain policies that address forced labour, and describes how the experiences of affected workers or relevant stakeholders (such as civil society, unions, and workers or their representatives) informed board discussions.

- The Human Rights Committee is established to complement the functions of the Board of Directors to oversight its supply chain policies that address forced labour.
  Source: [https://www.fastretailing.com/eng/about/governance/corpgovenance.html](https://www.fastretailing.com/eng/about/governance/corpgovenance.html)

- The main outcomes of the Human Rights Committee in FY2022 are disclosed.
  With the aim of mitigating serious human rights risks in the supply chain, the committee advised on initiatives to prevent violations of rights of foreign migrant workers.
  Source: [https://www.fastretailing.com/eng/about/frway/humanrights.html](https://www.fastretailing.com/eng/about/frway/humanrights.html)

- Some statements, such as the UK Modern Slavery Act, have been approved by the Board of Directors.

- The Sustainability Committee also complements the functions of the Board of Directors, discussing and determining Fast Retailing's overall strategy on sustainability issues, environmental protection, social responsibility activities, human rights issues, and diversity.
  Source: [https://www.fastretailing.com/eng/about/governance/corpgovenance.html](https://www.fastretailing.com/eng/about/governance/corpgovenance.html)

**INDICATOR 3: TRACEABILITY AND SUPPLY CHAIN TRANSPARENCY**

3.1 the names and addresses of first-tier suppliers;
3.2 the names and locations of below-first-tier suppliers (this does not include raw material suppliers); and

3.3 the sourcing countries of at least three raw materials at high risk of forced labour.

**INDICATOR 4: RISK ASSESSMENT**

4.1 details on how it conducts human rights supply chain risk or impact assessments that include forced labour risks or assessments that focus specifically on forced labour risks, including through engaging with relevant stakeholders (such as civil society, unions, and workers or their representatives) in countries in which its suppliers operate;

4.2 details on forced labour risks identified in different tiers of its supply chains; and

Migrant workers are one of the forced labour risks in Tier 1 and Tier 2 of our supply chains.

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

**Responsible Recruitment**

We have found several issues in our garment factories and core fabric mills 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.

Source: [https://www.fastretailing.com/eng/sustainability/labor/partner.html](https://www.fastretailing.com/eng/sustainability/labor/partner.html)

4.3 how it has consulted with relevant stakeholders (such as civil society, unions, and workers or their representatives) in steps taken to address the risks identified.

**INDICATOR 5: DATA ON SUPPLY CHAIN RISKS**

5.1 the percentage or number of supply chain workers who are women;

5.2 the percentage or number of supply chain workers who are migrant workers’ and

5.3 the percentage or number of supply chain workers that are being paid a living wage.

*Please see the following link for our detailed activities on living wages*
INDICATOR 6: PURCHASING PRACTICES

6.1 commits to responsible buying practices in its contracts with suppliers;

6.2 describes how it has adopted responsible purchasing practices in the first tier of its supply chains, which includes planning and forecasting, and how it ring-fences labour costs; and

Departments are also prohibited from exploiting any superior bargaining power when negotiating order prices or period of payments. When negotiating order prices, purchasing-related departments must consider various factors such as rising labor costs including the statutory minimum wage and raw materials costs.

Source: https://www.fastretailing.com/eng/sustainability/labor/purchasing.html

6.3 discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labour.

INDICATOR 7: RECRUITMENT-RELATED FEES

7.1 requires that no worker in its supply chains should pay for a job—the costs of recruitment-related fees should be borne not by the worker but by the employer ("Employer Pays Principle");

Commitment to Responsible Recruitment as defined by FLA&AAFA is posted on our website.

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. Committing to respect the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, we monitor carefully to ensure workers are treated fairly during the recruitment process and during employment. We also enforce trainings to primary employers of migrant worker in apparel sector such as garment factories and fabric mills.

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.
7.2 provides detail on the implementation of the Employer Pays Principle in its supply chains by demonstrating how it works to prevent the charging of fees to supply chain workers in different supply chain contexts; and

7.3 in the event that it discovers that fees have been paid by workers in its supply chains, provides evidence of re-payment of recruitment-related fees to workers. The company describes how it engages with affected workers in the remediation process.

**INDICATOR 8: RESPONSIBLE RECRUITMENT**

8.1 discloses information on the recruitment agencies used by its suppliers; and

8.2 provides details of how it supports responsible recruitment in its supply chains (e.g. by collaborating with relevant stakeholders to engage policy makers to strengthen recruitment standards).

**INDICATOR 9: FREEDOM OF ASSOCIATION**

9.1 works with independent local or global trade unions and/or other legitimate worker representatives to improve freedom of association in its supply chains;

9.2 discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labour rights agreement with trade unions or worker organisations; and

9.3 discloses the percentage of supply chains covered by collective bargaining agreements.

**INDICATOR 10: GRIEVANCE MECHANISM**

10.1 takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labour conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives across supply chain tiers; and

**FR hotline for factory employees is covering core garment factories (Tier1) and fabric manufacturers (tier2)**

Grievance Mechanisms
**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.

Source: [https://www.fastretailing.com/eng/sustainability/labor/partner.html](https://www.fastretailing.com/eng/sustainability/labor/partner.html)

10.2 discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved; and

10.3 takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism.

We obtain views of factory workers and look into improving the operation of the hotline.

**Grievance Mechanisms**

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.

Source: [https://www.fastretailing.com/eng/sustainability/labor/partner.html](https://www.fastretailing.com/eng/sustainability/labor/partner.html)

**INDICATOR 11: MONITORING**

11.1 its methodology for monitoring the implementation of its supply chain policies addressing forced labour;

**Responsible Recruitment**

In January 2022, we launched workplace monitoring focused on foreign migrant workers’ recruitment and employment in line with the Guidelines. **Production partners in our garment factories, and core fabric mills fall within the scope of monitoring.** Prior to an assessment of the recruitment process and working conditions for foreign migrant workers, we also carry out a pre-assessment, collecting information from production partners to understand their workforce composition and how the recruitment process is managed at home and destination countries. This pre-assessment provides insight into priority risk areas to focus on during the on-site assessments. **On-site assessments include onsite inspections, documentation reviews (e.g. policies on: recruitment, wages and benefits, and grievance handling, pay lips, employment contracts etc.), and interviews with management and workers.** If the production partner provides accommodation to workers, workers’ dormitories will also fall under the scope of assessment. In cases where we identify high risks, or we suspect production partners were not transparent during the assessment
process (e.g. false records, double bookkeeping, worker coaching etc.), supplementary measures will be initiated, including follow up interviews with workers in a safe, off-site location, follow up assessments, or additional unannounced visits. 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 review 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.

Source: [https://www.fastretailing.com/eng/sustainability/labor/partner.html](https://www.fastretailing.com/eng/sustainability/labor/partner.html)

11.2 the findings of monitoring reports, including details regarding any violations revealed in relation to forced labour and indicators of forced labour, across supply chain tiers; and

**Responsible Recruitment**

We have found several issues in our garment factories and core fabric mills 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.

Source: [https://www.fastretailing.com/eng/sustainability/labor/partner.html](https://www.fastretailing.com/eng/sustainability/labor/partner.html)

11.3 the use of worker-driven monitoring (i.e., monitoring undertaken by independent organisations that includes worker participation and is guided by workers’ rights and priorities).

**INDICATOR 12: REMEDY AND RESPONSE TO ALLEGATIONS**

A(1) a process for responding to potential complaints and/or reported violations of policies that address forced labour and how it engages affected stakeholders as part of this process; and

We think the followings are examples that we engaged affected stakeholders as part of the process

**Grievance Remediation Cases**

**Case 1 (Cambodia):** Fast Retailing facilitated dialogue between the trade union and worker representatives and factory management with the assistance of an arbitral body.

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 3 (Bangladesh): Fast Retailing requested the factory to set up an investigation committee and submit an investigation report. The investigation committee confirmed the fact and had the line leader submit a detailed report and pledged to make improvements.

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.

Source: https://www.fastretailing.com/eng/sustainability/labor/partner.html

A(2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers.

In addition, where an allegation is identified in a company's supply chains:

B.1.1 that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s)

The company does not disclose engagement with groups representing impacted rightsholders, timebound targets to stop sourcing from the region, or sourcing countries of cotton (see 3.3). The company does not disclose enhanced due diligence programmes to address associated risks such as the presence of labour transfer programmes.

The company does not appear to have responded to allegations relating to suppliers identified by Sheffield Hallam University.

In relation to suppliers identified by ASPI, Fast Retailing states "we do not have any business relationships with these factories." It is not clear whether this also refers to indirect business relationships.

We have responded below to SHU


B.1.2 outcomes of the remedy process in the case of the allegation(s); and

B.1.3 evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

Where an allegation is identified in the company’s supply chains, but is denied by the company:

B.2.1 a description of what actions it would take to prevent and remediate the alleged impacts; and

B.2.2 as part of this process, it would engage with affected stakeholders and their representatives.
Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

Yes


California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

Yes


Australia Modern Slavery Act: Where applicable, the company discloses at least one statement under the Australia Modern Slavery Act.

Yes


High Risk Sourcing

*Please indicate whether your company sources any of the below high-risk raw materials. Note where a company does not provide this information, KnowTheChain will review the company’s website as well as third party sources to identify relevant information.*

- Bamboo
- Cashmere
- Cotton
- Leather (cattle)
- Rubber (natural)
- Silk
- Viscose
- Wool

*Please indicate whether your company sources from any of the below high-risk locations.*

- Argentina
- Bangladesh
- Brazil
- China
- Ethiopia
• India
• Malaysia
• Nepal
• North Korea
• Thailand
• Vietnam