



FAST RETAILING CO., LTD.
ASSESSMENT FOR ACCREDITATION

FLA BOARD OF DIRECTORS MEETING
FEBRUARY 2019

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Workers at a facility producing Fast Retailing brands.

INTRODUCTION

On February 27, 2019, the FLA Board of Directors voted to approve the accreditation of Fast Retailing Co., LTD,'s (Fast Retailing) labor compliance program. This report provides the Fair Labor Association's (FLA) assessment of the labor compliance program of Fast Retailing. When joining the FLA, Participating Companies and Participating Suppliers commit to implementing the [FLA Workplace Code of Conduct](#), which ensures "respectful and ethical treatment of workers" and "promotes sustainable conditions through which workers earn fair wages in safe and healthy workplaces." The [Principles of Fair Labor and Responsible Sourcing / Production](#) ("Principles") serve as the bedrock upon which Participating Companies and Participating Suppliers are assessed towards an accreditation of their labor compliance program. Participating Companies and Participating Suppliers with accredited compliance programs have demonstrated that they have the systems and procedures in place needed to successfully uphold fair labor standards throughout their supply chains.



The FLA accreditation process involves staff conducting due diligence on the performance of a Participating Company or Participating Supplier during the implementation period. The FLA will assess the implementation of all Principles to ensure a social compliance program has been implemented to accommodate the supply chain expansion. This assessment involved testing a selection of data points or information sources in order to verify actions by the company. Sources of information may include:

- 1) **Affiliate Headquarter Assessment:** Assessments at headquarters and field offices to interview staff involved in compliance and in other functions, and to review documentation, processes, and database capabilities. In some cases, the offices of agents are visited as well. In countries where the FLA is not able to conduct in-person assessments, interviews are conducted by phone with company staff involved in compliance and in other functions.
- 2) **FLA Factory-Level Assessments:** Independent External Monitoring (IEM), Independent External Verification (IEV), and Sustainable Compliance Initiative (SCI) assessments are all sources of information on compliance issues and remediation efforts.
- 3) **Annual Reports:** Affiliate reports for each year of implementation provide data on the evolution of an affiliate's compliance program in line with FLA Principles.
- 4) **FLA Third Party Complaints:** Where relevant, an affiliate's involvement in, and responsiveness to, FLA Third Party Complaints provide additional insight into compliance programs and remediation.
- 5) **FLA Strategic Projects:** Where relevant, an affiliate's participation in FLA Strategic Projects provides opportunities to learn about the affiliate's compliance strategies for detecting and remediating complex issues.
- 6) **Observation:** Wherever possible, FLA staff accompanied affiliate compliance staff on internal audits, training sessions or remediation visits.
- 7) **Routine Interactions:** Information on the affiliate's compliance program has also been collected through discussions and interactions with affiliate compliance staff in the course of each year's program. Exchanges with civil society organizations and other stakeholders interacting with the affiliate provide additional perspective.

The FLA recognizes the assessment for accreditation of Fast Retailing's social compliance program verifies Fast Retailing contributes to upholding other internationally recognized benchmarks for human and labor rights.

SECTION 1: FAST RETAILING COMPANY AFFILIATE OVERVIEW

Name of Company	Fast Retailing Co., LTD.	Category	Participating Company
Location	Tokyo, Japan	Products	Apparel, Footwear, Accessories
Total Annual Revenue	18.2 Billion USD	Applicable Facilities	617
FLA Affiliation Date	June 2015	End of Implementation Period	June 2018
FLA Accreditation Team	Lead: Tiffany Rogers (Manager, Social Compliance) Supports: Renee Bowers (Director, Social Compliance), Courtney Moran (Associate, Social Compliance)		
Unique Company Characteristics	<ol style="list-style-type: none"> 1) Fast Retailing was originally founded as Ogori Shoji Co. LTD. in 1963; it was a menswear store and the predecessor to UNIQLO. 2) Fast Retailing owns the following brands: UNIQLO, GU, J Brand, Theory and Helmut Lang (Theory U.S. and Theory Japan), Comptoir des Cotonniers (CDC), Princess Tam.Tam, and PLST. 3) Fast Retailing is the first Japanese company to fully complete all required activities to be assessed for FLA Accreditation. 		
Key Strengths	<ol style="list-style-type: none"> 1) Increasing top management and public commitment to upholding workplace standards; 2) Resource and staff capacity to implement the program; 3) Improved assessment of functioning grievance mechanisms and implementation of a confidential reporting channel for workers; 4) Follow-up audit process to ensure remediation actions have addressed labor violations; and 5) Engagement with civil society to address systemic labor violations. 		
Key Suggestions for Strengthening	<ol style="list-style-type: none"> 1) Continue to ensure suppliers understand and implement the workplace standards; 2) Further implementation of responsible purchasing practices across all brands; 3) Begin to develop a strategy to achieve fair compensation for workers; and 4) Continue to support suppliers to advance sustainable remediation of labor violations in Fast Retailing's supply chain. 		

Fast Retailing Co., LTD. was originally founded as Ogori Shoji Co. LTD. In 1963; in 1991, the company formally changed its name to Fast Retailing and was listed on the Hiroshima Stock Exchange in 1994, and in 1999 Fast Retailing was listed on the Tokyo Stock Exchange. Fast Retailing owns several brands, UNIQLO, GU, J Brand, Theory, Helmut Lang, Comptoir des Cotonniers (CDC), Princess Tam.Tam (PTT), and PLST. Fast Retailing was approved as an FLA Participating Company in June 2015 and selected a three-year implementation period ending in June 2018.

Fast Retailing began to publicly report on its work in corporate social responsibility in 2006, and formally transitioned to sustainability reporting in 2016 to include environmental reporting in their annual reports. Additionally, Fast Retailing adopted and published its Human Rights policy in 2018, which included training for senior leadership and key departments. Fast Retailing's Supply Chain Labor and Environment Management Team consist of 43 full-time staff: 14 headquarter staff and 29 regional staff. The team is led by the Group Senior

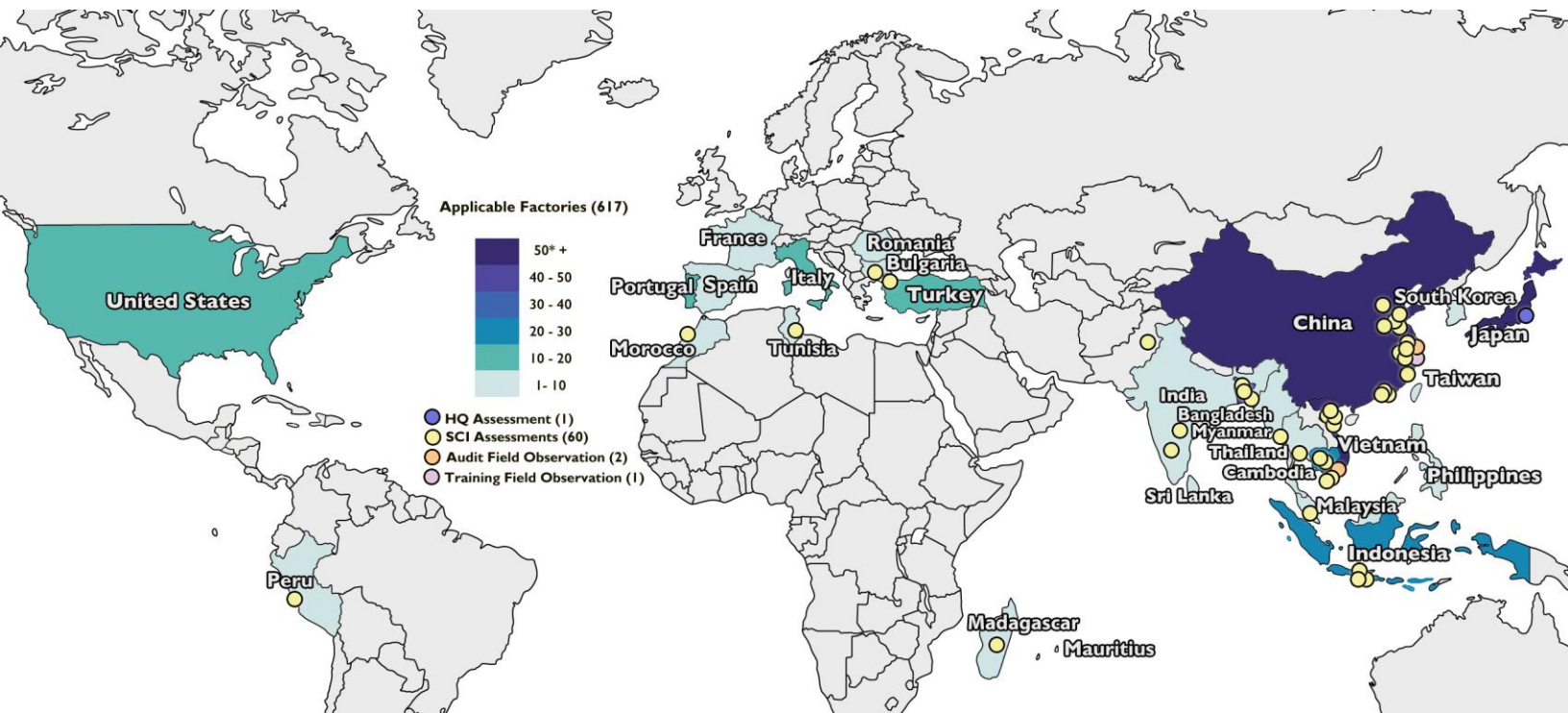
Vice President of sustainability department, who reports to the group CEO. Fast Retailing has regional staff in China, Vietnam, Bangladesh, and Indonesia; Fast Retailing is currently hiring for an EMEA Sustainability position to be based in Turkey.

Through the accreditation process, Fast Retailing has made improvements to strengthen its monitoring and remediation program, while also improving systems and communication between the different brands to implement responsible sourcing and purchasing practices. Fast Retailing adopted a responsible purchasing policy that includes a responsible exit procedure in 2018. Additionally, Fast Retailing's Business Ethics Committee reviews the status of factories that have not implemented its workplace standards as per the time allowed for improvement, have not addressed zero tolerance issues, or have not made remediation improvements, to consider if Fast Retailing needs to exit the business relationship or reduce business volume. Fast Retailing's audit and remediation data is managed by their CR360 platform, where they also can pull data to review audit and remediation trends per region and by brand.

Fast Retailing has also implemented a hotline channel for workers to contact Fast Retailing directly; in all core sewing factories of UNIQLO and GU, there are posters for the hotline, and is currently launching it at the core UQ fabric mills. At all other factories, workers are provided the hotline information through the worker interview audit process. Through this hotline, Fast Retailing has received many grievances from workers; including grievances on sexual harassment. Fast Retailing has also improved its assessment tool on grievance mechanisms to include further questions to assess the functionality of the factory's grievance mechanisms. In regard to grievances on sexual harassment, the Supply Chain Labor Management Team has started to implement programs with AWAJ Foundation and Change Associate in Bangladesh to set up anti-harassment committees to pilot this program. In Myanmar, the Supply Chain Labor Management Team has also engaged with SMART Myanmar to provide supplier training on social dialogue and an age verification process to mitigate child labor. Fast Retailing has had one Third Party Complaint (3PC) in Turkey, in which Fast Retailing was added after the investigation was conducted; the Supply Chain Labor Management Team conducted the follow-up audit and has verified that some implementation of the action plan has been conducted by factory management.

Lastly, the Clean Clothes Campaign (CCC) has an ongoing public campaign targeting Fast Retailing and other brands concerning the closure of a facility in Indonesia where workers were not provided their legally required severance packages. In November 2018, Fast Retailing, the local union, and CCC met with a mediator to further discuss the closure issues. However, the CCC campaign for coverage of severance payments is likely to continue.

SECTION 2: FAST RETAILING SUPPLY CHAIN & FLA DUE DILIGENCE ACTIVITIES FROM 2016-2018



As of 2018, Fast Retailing sources from 617 factories in 28 countries; China, Vietnam, and Bangladesh are its countries with the highest production volume. Fast Retailing sources from China, Vietnam, Bangladesh, Japan, Cambodia, and Indonesia. From 2016 to 2018, Fast Retailing received 60 FLA Independent External Assessments (IEAs); 57 SCI Assessments and three SCI Verification (SCIV) Assessments. These assessments covered 16 sourcing countries. Remediation progress from these assessments is included throughout this report. Prior to accreditation, Fast Retailing received two audit field observations: the first in China in 2016 and the second in Vietnam in 2018. Fast Retailing also received a training field observation in China in 2016. The FLA conducted the HQ Assessment at Fast Retailing's headquarters in Tokyo, Japan in February 2018.

SECTION 3: ANALYSIS OF FAST RETAILING LABOR COMPLIANCE PROGRAM FOR ACCREDITATION

The FLA verified the information presented in this report through:

- 1) An assessment at the Fast Retailing Headquarters in Tokyo, Japan in February 2018;
- 2) In-person and phone interviews and email correspondence with Fast Retailing staff;
- 3) Documentation review of supporting evidence submitted by Fast Retailing;
- 4) Observation of two factory-level assessments in China and Vietnam;
- 5) Observation of one training in China;
- 6) FLA Independent External Assessments at Fast Retailing applicable facilities conducted by FLA assessors and accredited service providers; and
- 7) Communication with stakeholders.

PRINCIPLE 1: WORKPLACE STANDARDS¹

Workplace Standards

In 2016, following affiliation with the FLA, Fast Retailing [aligned](#) its Production Partners [Code of Conduct](#) with the [FLA Workplace Code of Conduct](#). Fast Retailing revised its standards on Nondiscrimination, Harassment/Abuse, Health, Safety & Environment (HSE), and Compensation from its original 2004 code of conduct. To operationalize its code of conduct, Fast Retailing utilizes draft compliance benchmarks in their audit tool and supplier training materials. FLA verified the draft compliance benchmarks are implemented in the current FR monitoring program, further discussed under Principle 5.

Top Management Commitment & Public Reporting

Fast Retailing's top management has increased their commitment to the workplace standards and public reporting on sustainability work since 2004. In 2006, Fast Retailing began publishing an annual [corporate social responsibility report](#). In 2016, Fast Retailing transitioned from a CSR report to a sustainability report, to include environmental sustainability in its public reporting. Additionally, Fast Retailing has increased its factory list disclosure since 2017, when they first [published](#) UNIQLO and GU strategic partner factories. In 2018, Fast Retailing published the strategic mills for UNIQLO, representing about 80% of material production for the brand. Fast Retailing publishes responses and updates to campaigns and publicly disclosed labor violations on their website; this practice began in 2014, and Fast Retailing's responses to labor violations have steadily increased to address stakeholder concerns.

The company's top management shows their commitment to high workplace standards by participating in trainings, communicating with staff, and establishing cross-department committees to address labor and environmental violations. The Fast Retailing [Sustainability Committee](#) is chaired by the head of the Sustainability Department and includes the group CEO, CFO, external director, and standing statutory auditor. This Committee is responsible for the development and implementation of the Fast Retailing sustainability strategy. The CEO's prioritization of labor rights led to the creation of a training program for retail managers to better understand their impact on factory conditions. Similar sustainability training programs have expanded at the direction and [public commitment](#) of the CEO. The FLA reviewed Fast Retailing training materials and conducted interviews during the HQ Assessment to verify top management commitment.

¹ Principle 1: Company affiliate establishes and commits to clear standards.

In 2018, Fast Retailing [published](#) its commitment to human rights; this policy includes commitments to both avoid and remediate human rights violations. The policy applies to Fast Retailing employees, workers within the company's supply chain, and their customers. The Fast Retailing human rights policy notes the Code of Conduct for Production Partners, which is aligned with the FLA Workplace Code of Conduct, the Fast Retailing audit programs, correction or remediation programs, and stakeholder engagement. Additionally, Fast Retailing established its Human Rights Committee to provide recommendations and supervision on company's obligations to respect human rights; review investigations and remediation when a human rights violation is reported by any stakeholder; follow up education and awareness raising activities regarding human rights and review human rights due diligence activities. The Committee reviews then grievances submitted by workers in its supply chain through Fast Retailing's confidential reporting channel, further detailed under Principle 4. The [committee](#) includes internal and external directors, standing statutory auditor and external statutory auditor. Before the publication of the human rights policy, key group officers, some production directors, some public relation and legal department members and the headquarter supply chain labor management team participated in training from Shift, a human rights consulting firm. This training included the UN Guiding Principles (UNGPs) on Business and Human Rights and how top management can support the implementation of the UNGPs across Fast Retailing's operations. The FLA reviewed drafts and the final Human Rights Policy, training materials, the agenda from the Shift training, and the responsibilities, scope, and actions of the Human Rights Committee. In 2018, about 600 retail store supervisors from UNIQLO and GU were trained on human rights.

The FLA recognizes Fast Retailing's increased senior management commitment and transparency to human and labor rights since its affiliation with the FLA. The FLA recommends Fast Retailing continue to improve transparency, especially regarding factory list disclosure and the inclusion of factories of its other brands and non-strategic partner factories. The FLA encourages Fast Retailing to improve its sustainability reporting by including data and analysis of labor violations and remediation actions.

PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING²

Staff Responsibility for Implementing the Sustainability Program

The Fast Retailing Sustainability Department leads a centralized social compliance program across all Fast Retailing apparel, footwear, and accessories brands. The Director, Sustainability oversees and manages the social compliance program and work plans, and reports to the Sustainability Group Senior Vice President, who oversees the strategic direction of the Sustainability Department. The Supply Chain Labor and Environment Management Team has 43 staff members; 14 team members are located Tokyo at HQ and 29 team members are regional staff, based in China, Bangladesh, Vietnam, and Indonesia. Regional staff implement the sustainability program at the factory level. Following the FLA HQ Assessment in February 2018, FLA staff recommended Fast Retailing add EMEA regional staff, due to the number of facilities Fast Retailing sourced from in this region. Fast Retailing began to actively recruit for this position in August 2018.

While Fast Retailing's Sustainability staff do not have typical job descriptions, the Sustainability Department follows a semi-annual review process to define and establish responsibilities and goals for each staff member, aligned with the strategic direction of the Sustainability Program. The FLA reviewed the Fast Retailing Sustainability Strategy matrix, which includes all sustainability staff members, their goals, and timelines to meet those goals. Meeting sustainability-related goals can impact staff bonuses and promotions. The FLA verified the

² Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.

goals include targets on improving public transparency, stakeholder engagement, responsible purchasing practices, fair compensation, and improvements to Fast Retailing's monitoring program for Tier 1 and Tier 2 facilities.

Training the Supply Chain Labor Management Team

The Sustainability Department established a training roadmap which was developed after surveying the team members to identify training needs. One key topic identified from the survey was industrial relations. To address this need, the Supply Chain Labor

Management Team received training on freedom of association and collective bargaining, including grievance mechanisms, worker-management communication, and legal management practices for freedom of association. The FLA verified that the Supply Chain Labor Management Team received this training in 2017 and 2018. After the training, staff completed a quiz to measure knowledge gained and to collect feedback related to the Sustainability Strategy matrix. The Supply Chain Labor Management Team also receives regular training on Fast Retailing's workplace standards, including forced labor, chemical safety, occupational health and safety, human rights, and responsible purchasing practices. Additionally, the Fast Retailing regional staff participated in FLA trainings for suppliers in Vietnam and the EMEA region. The FLA recommends Fast Retailing continue to identify training opportunities for its Supply Chain Labor Management Team to continue to gain expertise on relevant and complex labor issues.



A worker and manager review the quality of the product.

Training All Fast Retailing Staff

The Supply Chain Labor Management Team has employed an e-learning sustainability training program for all Fast Retailing staff which includes the Fast Retailing Code of Conduct and workplace standards. FLA review verified all staff are required to take this course. Throughout 2018, additional modules were provided to Fast Retailing staff on the Human Rights Policy and workplace standards. Some retail managers have also completed Fast Retailing training on purchasing practices and basic factory production practices, which includes a visit to a production facility over two days. Attendees learn how factory production practices and retail purchasing practices impact working conditions.

Fast Retailing's CEO spearheaded the development of this training, which Fast Retailing piloted with Japan store managers and expanded to retail managers outside of Japan in 2018. For all trainings, the Supply Chain Labor Management Team concludes with a quiz or feedback form to assess training effectiveness and applicability to Fast Retailing staff. This feedback is used to adapt future training.

PRINCIPLE 3: SUPPLIER TRAINING³**Supplier Commitment**

All Fast Retailing factories are required to sign Fast Retailing's Code of Conduct for Production Partners, in which factories agree to be assessed by third party audits and undertake corrective actions. Fast Retailing allows audits by approved third-party service providers, including FLA assessments. In addition to the Code of Conduct of Production Partners, suppliers receive the Fast Retailing Supplier Guidebook. The Supplier Guidebook explains the Fast Retailing workplace standards, FLA affiliation, and the FLA assessment process. The FLA verified the use of the supplier agreements and Supplier Guidebook, maintained for each supplier through Fast Retailing's online sustainability platform. The FLA has observed the Fast Retailing Supply Chain Labor Management Team regularly communicate with its suppliers regarding FLA standards and assessment methodology.

Conditioning Future Business on Suppliers' Improvement of Working Conditions

The Fast Retailing Code of Conduct for Production Partners agreement includes a policy that if a production facility does not agree to corrective actions for identified labor violations, the production partner can be found in violation of the agreement. The FLA verified the agreement also allows Fast Retailing to cancel orders or terminate the business relationship if a production partner is found in violation of the agreement. Fast Retailing established the Business Ethics Committee to review cases in which production partners are found in violation of the supplier agreement and to determine how to address suppliers that fail to uphold their commitment to workplace standards. The [Business Ethics Committee](#) Chairperson is the Sustainability Group Senior Vice President and the committee includes representatives from Fast Retailing Production, Merchandising & Design and legal departments, and statutory auditors as observer.

To determine supplier commitment to Fast Retailing's workplace standards, the company uses a grading system based on supplier audit results. Following the audit, the facility receives its grade (A, B, C, D, or E) and corrective action plan (CAP) to remediate the identified labor violations. Suppliers who receive an E rating and do not agree to a remediation timeline are reviewed by the Business Ethics Committee. The committee may decide to reduce orders or terminate the business relationship. The FLA reviewed the grading system, as outlined in the Fast Retailing Working Conditions Monitoring Manual, examples of the Business Ethics Committee taking action regarding a supplier's lack of remediation, and process documents that articulate the scope and workflow of the Business Ethics Committee.

Supplier Training

During Fast Retailing's affiliation with the FLA, the Fast Retailing Supply Chain Labor Management Team has worked to provide and improve workplace standards training for its suppliers. In Fast Retailing's high-production countries, such as China and Vietnam, the regional staff have provided regular annual Code of Conduct training to suppliers. In 2016, the FLA observed a Supply Chain Labor Management Team led training in China, which included the code of conduct, the audit program, social compliance data analysis on China, excessive working hours, and fringe benefits, such as social insurance. Following this observation, the FLA recommended Fast Retailing conduct pre- and post-tests to assess knowledge gained and incorporate an icebreaker and ground rules

³ Principle 3: Company affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.

at the beginning of the training session. Fast Retailing's Supply Chain Labor Management Team incorporated these recommendations into later internal and supplier trainings.

Fast Retailing maintains a training calendar, starting from 2016, which notes all regional staff training for suppliers in China, Indonesia, Vietnam, and Bangladesh. The FLA verified the following topics on the training calendar: Fast Retailing's workplace standards, the FLA workplace standards and SCI Assessment process, wage calculations, hours of work, child labor, social dialogue, remediation process, and root cause analysis. In 2018, Fast Retailing began developing intermediate-level supplier training programs; including topics on remediation and improvement in sustainability performance. The FLA reviewed training materials that included training on social dialogue and working hours monitoring. Fast Retailing has also identified the need for more suppliers training on social dialogue, especially between management and workers, also mentioned under Principle 9.

Following the FLA HQ Assessment, FLA staff recommended Fast Retailing increase its capacity in the EMEA Region, including increased staffing (as mentioned under Principle 2) and increased staff and supplier training on topics relevant to the region, specifically industrial relations. The FLA's Capacity Building Team piloted a training program with Fast Retailing, providing targeted training to suppliers in Turkey, Fast Retailing regional and sustainability staff, and agents on workplace standards and relevant trends in violations and remediation within the region. Fast Retailing scaled these programs to expand the training program to the remaining sourcing countries within the EMEA region, including those in Western Europe and Africa; the FLA verified the training materials from these trainings. Fast Retailing worked to cover training of suppliers in the Americas, for its suppliers of J. Brand, and Theory and Helmut Lang (LTJ). The FLA recommends Fast Retailing continue to expand its training program to cover all sourcing countries and continue to improve communication of its workplace standards to all suppliers.

Workplace Standards Training & Accessibility for Workers

Fast Retailing provides translations of its code of conduct in Arabic, Bahasa, Bengali, Bulgarian, Burmese, Chinese, Creole, English, French (EU), Hindi, Italian, Japanese, Khmer (Cambodia), Korean, Malagasy, Malay, Mauritian Turkish, Portuguese (Brazilian), Sinhalese, Spanish (Peru), Spanish (EU), Romanian, Thai, Urdu, and Vietnamese. The FLA verified these translations cover all employee languages spoken in Fast Retailing's Tier 1 sourcing countries.

To confirm workers, managers, and supervisors are trained on Fast Retailing's workplace standards, Fast Retailing Sustainability staff conduct audits with worker interviews to verify training and training effectiveness. Through the audit field observations, the FLA observed Fast Retailing began to incorporate the FLA's recommendation that auditors ask more detailed questions on worker training. The Fast Retailing supplier guidebook notes the company provides workplace standards training to all workers during orientation and annually.

The below chart shows labor violations and remediation progress related to supervisors training on workplace standards. In 31 SCI and SCIV Assessments, FLA found violations in which supervisor training was not provided or ineffective. About 48% of these findings have remediation updates from Fast Retailing that show supervisor training has been provided or improved. Fast Retailing continues to work with its suppliers to implement the remediation plans to improve workplace standards training for supervisors. The FLA recommends Fast Retailing continue to ensure suppliers provide supervisor training on workplace standards, especially those who directly manage production workers.

FLA REMEDIATION PROGRESS CHART



PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS⁴

Functioning Grievance Mechanisms

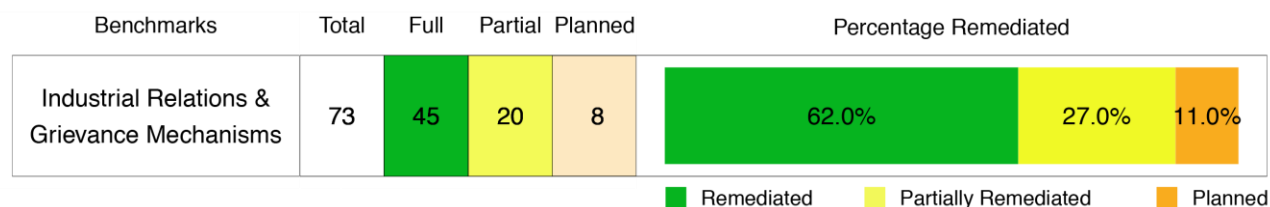
Fast Retailing ensures workers have access to functioning grievance mechanisms by providing clear expectations and guidance to suppliers, conducting audits to assess the functionality of grievance mechanisms, requiring remediation actions when grievance mechanisms are not functioning, and providing further training and capacity building to suppliers. Through the Fast Retailing Supplier Guidebook, the company requires supplier grievance mechanisms include written procedures and processes to address grievances aligned with local law, a tracking system to ensure grievances are addressed, and training for workers, managers, and supervisors.

In the last three years, Fast Retailing improved their audit process to assess the existence of functioning grievance mechanisms. Following the 2016 FLA Audit Field Observation in China, the FLA recommended Fast Retailing improve how the auditor assesses for functioning grievance mechanisms. In 2017, during the Audit Field Observation in Vietnam, the FLA verified the auditor used an improved audit tool to assess grievance mechanisms and interviewed workers to corroborate both their use and understanding of the grievance mechanisms. Following the FLA HQ Assessment in March 2018, the FLA encouraged Fast Retailing to further improve the audit tool questions on grievance mechanisms. For the Fast Retailing 2018 audit cycle, their audit tool included additional questions on penalties and retaliation, how management logs and tracks grievances and resolutions, and ensured there is at least one confidential, anonymous grievance channel, and additional questions on grievance mechanisms training. The FLA verified Fast Retailing found issues related to grievance mechanisms through their audit cycle and suppliers are working to implement CAPs to improve the functionality, accessibility, and training of grievance mechanisms for workers. The FLA recognizes Fast Retailing's notable improvement in addressing the challenges of functioning, accessible grievance mechanisms and encourages Fast Retailing to continue supporting suppliers to resolve worker grievances.

⁴ Principle 4: Company affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

The below chart shows findings related to industrial relations and grievance mechanisms from 31 SCI and SCIV assessments. These findings include not having grievance mechanisms for workers to use, having ineffective grievance mechanisms, and not having policy and procedures that operationalize the grievance mechanisms. The FLA recognizes that Fast Retailing has remediated 62% of 73 of industrial relations & grievance mechanism violations and recommends Fast Retailing and its suppliers continue to improve grievance mechanisms so workers can voice concerns to management without fear of retaliation.

FLA REMEDIATION PROGRESS CHART



Confidential Reporting Channel to Fast Retailing

In the last two years, Fast Retailing piloted and expanded a hotline channel, from facilities to Fast Retailing regional and HQ offices, for workers to submit grievances. Fast Retailing piloted its hotline channel in 2017 in seven facilities in China and Bangladesh, implementing systems to train, track, report, and resolve worker grievances. In 2018, Fast Retailing expanded the hotline channel to all strategic suppliers listed publicly on their website; approximately 247 facilities now have the hotline. To participate, suppliers must post the Fast Retailing hotline information publicly in worker local languages and provide hotline-related training for workers. The posters include local phone numbers or email addresses for Fast Retailing regional staff. FR also has a process to review grievances and determine how to further proceed with resolutions and investigations. For egregious grievances, Fast Retailing's Human Rights Committee reviews to determine the impact on the business relationship.

For facilities not included on Fast Retailing's public list, auditors provide workers hotline cards during worker interviews to safeguard workers from retaliation and to voice further concerns to the auditor, if needed. Hotline cards are in local language and include email contact information and a local phone number, if available. To ensure auditors provide this information, auditors are required to report the number of cards provided during the audit and to review a guidance document on card distribution. Fast Retailing renegotiated its terms with all audit service providers; they all agreed to this practice.

During the FLA HQ Assessment in March 2018, the FLA and Fast Retailing discussed capacity concerns and scaling the hotline beyond the pilot, given the number of grievances reported. The FLA recommended Fast Retailing both improve its assessment and build supplier capacity regarding functioning grievance mechanisms to improve implementation. The FLA verified a specific grievance Fast Retailing worked to resolve: a worker at a sister facility to a hotline pilot facility in Bangladesh submitted a grievance through the Fast Retailing hotline. Fast Retailing HQ and regional staff worked to understand and verify the grievance with the worker, who had already decided they no longer wanted to work at the facility. Fast Retailing has since decided to end its business relationship with this supplier for business performance reasons; however, Fast Retailing continues to work with both the AWAJ Foundation and Change Associates to implement anti-harassment committees in three other facilities in Bangladesh, two of which Fast Retailing has received harassment grievances from workers. The anti-harassment committee pilots include management training, worker training, and terms of reference for facility

management and the committee. The FLA recognizes Fast Retailing's work to scale confidential reporting channels to cover all facilities and recommends Fast Retailing continue to work with all suppliers to improve worker grievance mechanisms. Additionally, the FLA recommends Fast Retailing continue to address and resolve grievance submitted through its hotline.

Training for Workers & Grievance Mechanisms Support for Suppliers

The Fast Retailing audit tool and methodology includes questions to assess worker understanding of grievance mechanisms. The company revised this tool to include more questions to verify training on grievance mechanisms; following the revisions, Fast Retailing provided training to suppliers on the new training standards. The Supply Chain Labor Management Team also reviewed the supplier guidebook during the supplier training, which includes grievance mechanism training standards. The Fast Retailing audit tool and supplier guidebook require orientation and subsequent annual training in relevant local languages to review the code of conduct, the collective bargaining agreement, when applicable, and grievance policies and procedures.



FLA staff assesses the Fast Retailing social compliance program at the HQ Assessment in February 2018.

During the 2017 FLA Audit Field Observation in Vietnam, the FLA observed notable improvement ensuring facility management provides grievance mechanisms training to workers. The auditor used a revised Audit Checklist which included a variety of worker interview questions on grievance systems. The worker interviews reflected that workers were knowledgeable about the available grievance mechanisms. Additionally, because of the new audit tool, Fast Retailing CAPs included more comprehensive action plans for suppliers to improve grievance mechanisms policies, procedures, and training. The FLA verified examples of CAPs with improvements to grievance mechanisms and training.

Fast Retailing has been working to identify country-specific challenges to establishing functioning grievance mechanisms and opportunities for supplier capacity building and training. Fast Retailing worked with [Timeline Consultancy](#), a capacity building service provider based in Guangzhou, China, to train suppliers in China on grievance mechanisms in August 2018. The training was for HR and CSR factory management and included case studies on challenging grievances and implementing effective mediation processes. About 40 facilities participated, and Fast Retailing is reviewing the data and feedback from this session to improve and scale the program to all strategic suppliers. Fast Retailing suppliers in Myanmar received similar training through SMART Myanmar, further detailed under Principle 9.

PRINCIPLE 5: MONITORING⁵**Pre-Sourcing Factory Assessments**

Fast Retailing details their pre-sourcing and production processes through the Working Conditions Monitoring Program Manual. First, Fast Retailing brand production departments ask the Supply Chain Labor Management Team to assess a potential facility. A full audit to determine the facility's grade is conducted by a third-party audit company; the Monitoring Program Manual includes a comprehensive workflow with decision trees dependent on pre-sourcing audit grades, and whether Fast Retailing should proceed with production. For example, the lowest audit grade (E) or (D) does not authorize the facility for production; a C-grade allows for the purchase order (PO) to be placed for pre-sourcing assessments.

In July 2018, Fast Retailing reported to the FLA they had discovered some of their smaller brands had not been following the pre-sourcing application process with facilities in France, Japan, South Korea, or the United States. When the Supply Chain Labor Management Team reported this issue to the FLA, the company noted the misunderstanding was due to the facilities being in developed countries and considered "low risk" by the sourcing teams. The FLA acknowledged that facilities in these countries may have better working conditions; however, FLA SCI assessments conducted on behalf of other brands in the US have found risks of overtime, recruitment fees for foreign migrant labor, and other code violations.

The Fast Retailing Supply Chain Labor Management Team worked closely with their smaller brands to ensure they understood the pre-sourcing application process and the risks sourcing from facilities not properly monitored by the Supply Chain Labor Management Team. The Supply Chain Labor Management and Sourcing Teams worked together to ensure the brands could implement the pre-sourcing application process for all new facilities moving forward. Through this review process, the Supply Chain Labor Management Team also identified facilities that needed pre-sourcing or full audits. The brand sourcing teams identified the need to consolidate where the company places POs, further explored under Principle 8. For all facilities that were added to the Fast Retailing's factory list internally and with the FLA, Fast Retailing conducted audits at the facilities and is working on remediation plans with these facilities. Additionally, Fast Retailing ensured that all business units were clear that all facilities are to be disclosed to the Supply Chain Labor Management Team, and any new facility must go through its pre-sourcing assessment process.

Assessing Factory Conditions

Fast Retailing's monitoring program includes regular audits and follow-up audits for sewing facilities and their subcontractors and core mills; at minimum, facilities receive one annual audit. Depending on the grade of the audit, the Supply Chain Labor Management Team will schedule a follow-up audit as defined in Fast Retailing's Monitoring Program Manual. Similar to the pre-sourcing audit process, for regular audits, the manual includes a comprehensive decision tree to determine the scheduling of the follow-up audit; with low grades (C and D) requiring follow-up audits to verify remediation progress. Facilities that receive an E-grade or fail to show remediation progress during the follow-up audit are subject to review by the Business Ethics Committee, described under Principle 3.

The Fast Retailing audit tool and Monitoring Program Manual include processes to conduct worker interviews, consult with unions and worker representatives, review collective bargaining agreement terms, conduct

⁵ Principle 5: Company affiliate conducts workplace standards compliance monitoring.

management interviews, review documents, visual inspection, and review occupational health and safety. Third-party service providers, BV, ITS, and SGS, conduct Fast Retailing full audits and majority of the follow up; the provider depends on the country, region, and availability. The auditors must follow the Fast Retailing Monitoring Program Manual and FR conducts shadow audits to determine consistent audit performance and quality. The Supply Chain Labor Management Team completes a shadow audit report and provides feedback to the service provider. The service provider is then responsible for attending further training to signal improvement. Following the HQ Assessment, the FLA recommended Fast Retailing develop a refresher training program for the audit service providers to systematically address quality and consistency concerns raised through the shadow audit process.

Following the discovery of undisclosed facilities for smaller Fast Retailing brands, the Supply Chain Labor Management Team worked with the sourcing teams to identify the facilities that the brands would continue business to schedule audits. Fast Retailing conducted 59 audits between July and December 2018; all facilities sourcing by Fast Retailing brands received an audit. Most audits were for facilities in Japan, where Fast Retailing had identified service provider limitations. The Supply Chain Labor Management Team partnered with its China regional staff to cross-train and conduct audits in Japan, and to train service providers in Japan. Fast Retailing noted the complexities of sustainability in manufacturing facilities in Japan. For example, four facilities in Japan declined Fast Retailing access to the facility to conduct the audit, they have now been inactivated. The Supply Chain Labor Management Team worked with the applicable sourcing teams to engage with the facilities and express the need to assess working conditions. Fast Retailing's audits in Japan found labor violations related to excessive overtime and recruitment fees for foreign migrant workers from China. Fast Retailing continues to work with its suppliers in Japan to convey the importance of implementing Fast Retailing's workplace standards, including those standards beyond local laws, and remediation actions. Additionally, as mentioned earlier in Principle 5, Fast Retailing has improved its pre-sourcing assessment process to ensure all business unit disclose all and new potential suppliers.

FLA Observations of Fast Retailing Audits & Recommendations

The FLA conducted audit field observations in 2016 and 2017 in China and Vietnam, respectively. Following the audit field observation in China, the FLA recommended they improve its audit tool, specifically to address Fast Retailing's assessment of functioning grievance mechanisms, disciplinary processes, and social insurance contributions. Fast Retailing incorporated these FLA recommendations into its audit tool and monitoring program. The following year in Vietnam, the FLA noted improvements in how the auditor conducted the audit. For example, the auditor invited union and worker representatives to the opening and closing meetings and included them in the interview process; worker interviews covered



Fast Retailing and supplier staff prepare for an onsite audit training.

a variety of topics, including grievance mechanisms; and the auditor provided contact information to workers during interviews.

The FLA recommended Fast Retailing considers that certain circumstances may require auditors take additional time to conduct the audit. In response, Fast Retailing extended the time for auditors to conduct follow-up audits in facilities that received a D-grade to allow the auditor more time to verify remediation progress. Fast Retailing also revised its audit person-day matrix, to guarantee the number of auditors and days for the audit reflect the worker count of the facility. The FLA recommends Fast Retailing continue ensure its monitoring program continues to identify labor violations of its code of conduct, as they continue to improve and transition its monitoring program.

PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION⁶

Fast Retailing Data Management

Fast Retailing has transitioned to managing its compliance and audit data in its CR360 Platform throughout 2018. The FLA reviewed the CR360 Platform and how Fast Retailing manages its data at the HQ Assessment. Fast Retailing collects and manages the following data points for all facilities: address and contact information, historic audit data, root causes, presence of unions or worker representative structures, number of migrant workers, facility compliance staff, legal minimum wage, and available grievance mechanisms. Fast Retailing also collects data on previous labor disputes, incidents, and accidents at the factory through its audit process; however, this data is not stored on its platform.

Analyzing Social Compliance & Supporting Data

Prior to the implementation of the CR360 platform, Fast Retailing managed and analyzed its data for labor violation trends through Excel spreadsheets; with the implementation of the platform, Fast Retailing is now able to pull the data from the platform and analyze it to identify trends in labor violations and remediation. Fast Retailing analyzes labor violation trends by country and individual brands, including how many facilities are passing or failing the Fast Retailing audit. Additionally, Fast Retailing analyzes the audit grades distribution for each brand.

Through analyzing its data by the grade distribution of facilities, Fast Retailing identified more than half of its factories in Turkey and Vietnam received a D-grade on their audits in 2017. Comptoir des Cotonniers (CDC), one of Fast Retailing's smaller brands, had the highest percentage of facilities that received an A-grade on their audit in 2017. Reasons for this high percentage were due to the small number of factories CDC sources from and that these facilities are located in developed countries with higher labor standards. Fast Retailing's larger brands, UNIQLO and GU, showed that about 15% of facilities had received a B-grade on their audit in 2017, and that most facilities received a C-grade on their annual audit.

Fast Retailing focuses its violation trends analysis on its top sourcing countries: Bangladesh, Cambodia, China, Indonesia, and Vietnam. Below are all the labor violation trends identified by Fast Retailing in these five countries:

- Bangladesh: Working hours, environment, and fire safety;
- Cambodia: Safeguards on machinery, no rest day in a seven-day period, personal protective equipment, first aid box, and monetary fines;

⁶ Principle 6: Company affiliate collects, manages, and analyzes workplace standards compliance information.

- China: Overtime payment, emergency exits and evacuation routes, working hours, and social insurance contributions;
- Indonesia: Minimum wage, overtime payment, discrimination in hiring, and first aid box;
- Vietnam: Wage policy, emergency exit signs and evacuation routes, safe guards on machinery, and hazardous chemical storage.

Now that Fast Retailing's data is fully stored in its platform, the FLA recommends Fast Retailing continue to expand its data strategy to include more high-risk and high-production sourcing countries like Myanmar, Turkey, and Portugal. Additionally, the FLA recommends Fast Retailing continue to analyze its data to inform how to improve Fast Retailing's social compliance program. The FLA also encourages Fast Retailing to start to publish its labor and remediation trends in its annual Sustainability Report, as a best practice.

PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION⁷

Tracking Remediation at the Factory-Level

Fast Retailing's Monitoring Program Manual and Supplier Guidebook include the remediation process and timelines following the completion of audits at the facilities. Fast Retailing requests improvement plans (CAPs) from when suppliers receive the final audit report and grade from the Supply Chain Labor Management Team. Once the facility receives the notification, they have one month to provide the CAP, including root causes for all findings. The Supply Chain Labor Management Team then reviews the CAP and root causes and provides feedback, as necessary. Depending on the audit results, the Supply Chain Labor Management Team may conduct follow-up audits for lower graded facilities within a 3 to 6-month timeline. Regional staff, either Supply Chain Labor Management staff or third-party service providers, conduct these follow-up audits, depending on availability. The FLA reviewed the Monitoring Program Manual and Supplier Guidebook to verify the remediation process, and multiple CAPs from facilities to verify the implementation of the CAP process and follow-up. The FLA also observed a follow-up audit during the Audit Field Observation in Vietnam and verified how Fast Retailing ensures the facility takes remediation action. Additionally, the FLA verified the remediation process includes engagement with union and/or worker representatives, especially findings specific to strikes, worker disputes, delay of payment, decrease in payment, unpaid severance, unpaid annual leave, mental or physical pain, harassment, forced labor, excessive working hours, and violations of the collective bargaining agreement or freedom of association.

Root Cause Analysis

The Monitoring Program Manual and Supplier Guidebook include root cause analysis as part of the remediation process; facilities are required to provide root causes for all findings identified in the Fast Retailing audit. Additionally, Fast Retailing provides guidance and resources for facilities to understand various root cause analysis methodologies, including the FLA's guidance on root cause analysis. Fast Retailing also provides regular training to its suppliers on how to conduct root cause analysis; in Asia, the Fast Retailing's regional staff in China, Bangladesh, Indonesia, and Vietnam provide training to all suppliers within their relevant regions. The FLA conducted a training observation in China in 2016, which also included training on conducting root cause analysis.

Following the HQ Assessment, the FLA recommended Fast Retailing ensure that suppliers in the EMEA and Americas regions received training on root cause analysis. The FLA supported Fast Retailing in providing a

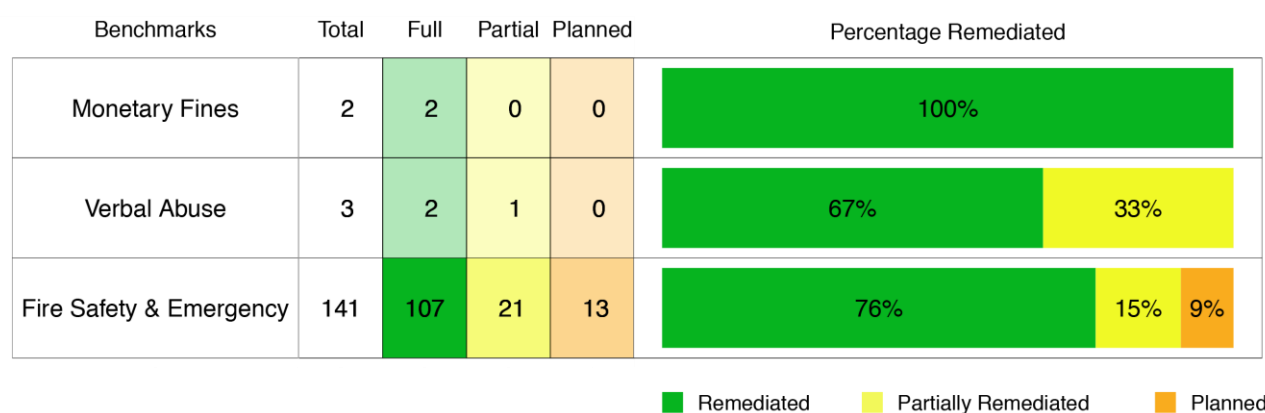
⁷ Principle 7: Company affiliate works with suppliers to remediate in a timely and preventative manner.

training to suppliers in the EMEA region, that included root cause analysis. Fast Retailing then provided trainings to all other suppliers in the EMEA Region and the Americas throughout 2018. FLA recognizes that root cause analysis can vary in difficulty and scope and encourages Fast Retailing to continue to work with its suppliers to improve their capabilities and capacities to conduct root cause analysis to inform sustainable remediation actions.

Effective Remediation

As mentioned above, Fast Retailing conducts follow-up audits to ensure remediation actions are implemented and sustained. Fast Retailing is improving its remediation data analysis by transitioning to a platform system that houses all audit and remediation data. Through the FLA's SCI and SCIV Assessments, Fast Retailing is responsible for reporting the improvement of working conditions to the FLA. From Fast Retailing's remediation updates and what the FLA has verified through SCIV Assessments, the FLA highlights Fast Retailing's progress in remediating findings on Monetary Fines, Fire Safety & Emergency, and Verbal Abuse. To see further remediation progress on other labor violations, see Appendix B.

FLA REMEDIATION PROGRESS CHART



Monetary Fine Violations: The FLA's Compliance Benchmarks cover a broad range of monetary fines and penalties that range from deductions for failing to reach production targets, arriving late to work, penalties workers being charged for lost ID cards, and procedures that include monetary fines. The FLA has an expansive range of violations due to the importance of workers earning fair compensation. For Fast Retailing's findings, these ranged from workers being charged for lost ID cards and procedures that stated how workers would be penalized for showing up late to work and being absent. For the lost ID cards, Fast Retailing reported that the factory stopped charging workers for missing ID cards, which was verified through worker interviews. Fast Retailing also reported that its facility had removed the policy to apply monetary penalties to workers who arrive late or are absent from its Workplace Conduct & Discipline Procedures. The FLA had verified during the time of the SCI and SCIV Assessments that these policies were not actually practiced by management; but the documented procedures had included these policies. The FLA notes Fast Retailing's and its suppliers' actions to remediate monetary fine violations supporting workers to earn fair compensation.

Verbal Abuse Violations: The FLA notes there is more progress to be made to address the Verbal Abuse findings from the SCI and SCIV Assessments. However, the FLA does recognize that Fast Retailing's facilities have been making progress to remediate these violations, with 67% of the violations remediated. The FLA reviewed remediation updates showing facilities have provided training to supervisors to ensure supervisors and managers do not yell at workers. Following the training, the facility conducted worker interviews to ensure

supervisors corrected their behavior. The FLA recommends Fast Retailing continue to work with its suppliers to mitigate verbal abuse towards workers.

Fire Safety & Emergency Violations: Through FLA SCI and SCIV Assessments from 2016 and 2017, the FLA identified 141 fire safety and emergency violations in 31 assessments for Fast Retailing. Fire safety and emergency violations ranged from blocked or challenging exit routes, inaccurate evacuation plans, missing fire extinguishers in compressor rooms, faded evacuation arrows on the factory floor, missing fire risk assessments, etc. Fast Retailing has made significant progress in remediating these violations, with facilities completing the actions plans for 76% of the findings. Remediation actions included having local fire departments conduct the fire risk assessment, replacing fire extinguishers, updating evacuation routes, ensuring evacuation routes follow local regulations and fire department official's guidance, etc. The FLA recommends Fast Retailing continue to ensure that facilities are implementing sustainable and effective remediation plans to address fire safety and emergency violations and risks.

PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES⁸

Fast Retailing's Responsible Purchasing Policy and Guidelines

Fast Retailing has established a Responsible Purchasing Policy that is applicable to and endorsed by all of its brands. The policy outlines Fast Retailing's commitment to human rights in its supply chain and provides an overview of the business and supply chain model. The FLA reviewed the policy, which included five principles defined as: providing an accurate product strategy to ensure balanced planning; providing alternative solutions when cancellations or decreased order volume are happening; ensure price negotiations include legal minimum wages and on-time payment to suppliers; rewarding suppliers are incentivized for good performance; and ensuring a responsible exit process, when necessary. The policy also includes the commitment to accountability, articulating merchandising, product planning, and production staff at responsible for procuring responsibly. Additionally, Fast Retailing has committed publicly to [responsible procurement practices](#), which includes their purchasing practices from production partners.

Each brand is responsible for developing and implementing Responsible Purchasing Guidelines to operationalize the policy. UNIQLO and GU established their guidelines in early 2018; their guidelines were similar due to similar business models between the brands. The FLA reviewed the guidelines, which included: assigning responsibilities to merchandising, planning, production, and research and innovation departments to implement strategies align seasonal trends, customer needs, and responsible purchasing practices; ensuring suppliers receive business plans to prepare for production planning; ensuring that information provided to the supplier is accurate when placing the PO; and requesting prices from suppliers following the sample development before negotiations begin.

⁸ Principle 8: Company affiliate aligns planning and purchasing practices with commitment to workplace standards.



Workers at a facility producing for UNIQLO in China.

Theory U.S., Helmut Lang and J. Brands established Responsible Purchasing Guidelines in mid-2018 following training from the Director, Sustainability on the Responsible Purchasing Policy. These guidelines followed a similar format as the UNIQLO and GU guidelines; however, adjusting for the size of the business and the sourcing practices. Theory Japan (LTJ) also established similar responsible purchasing guidelines. Fast Retailing's smallest brands, Princess Tam.Tam, CDC, and PLST are in the process of drafting their responsible purchasing practices due to business unit transitions that took place in late 2018. The FLA recommends Fast Retailing continue to work with its smaller brands to establish their

responsible purchasing guidelines; and to ensure all Fast Retailing brands continue to implement and improve the Responsible Purchasing Policy and Guidelines.

Training Relevant Business Staff on Responsible Purchasing Practices

Prior to establishing the Responsible Purchasing Practices Policy and Guidelines, Fast Retailing's Supply Chain Labor Management Team member, with a background in sourcing and production, worked with UNIQLO and GU to provide training and drive buy-in to develop the policy and guidelines. The Supply Chain Labor Management Team member joined regular production meetings with the brands to regularly discuss issues of responsible purchasing practices. Following the establishment of the Responsible Purchasing Policy and UNIQLO and GU Guidelines, the Supply Chain Labor Management Team worked with UNIQLO and GU to establish a comprehensive training plan to ensure all relevant staff received training on the policy and guidelines. The FLA reviewed the training plan and materials and interviewed merchandising, planning, and production staff at the HQ Assessment to verify the training. The training included various case studies of responsible purchasing issues and a brainstorming session on how staff can improve their own practices to implement the policy and guidelines. Following the training, relevant staff were required to provide a feedback form, so the Supply Chain Labor Management Team could ensure the training was effective.

Theory U.S. and Helmut Lang, LTJ, J Brand, CDC, Princess Tam.Tam, and PLST have also received training on responsible purchasing practices, which was completed throughout 2018. However, following the training, PLST became its own business unit within Fast Retailing. Due to this business transition, PLST will receive another round of training on responsible purchasing practices to reflect on how they are currently operating following the business transition before they establish their Responsible Purchasing Practices Guidelines. Theory U.S., J Brand, Princess Tam.Tam and CDC have received a training session that included a brainstorming session on their current responsible purchasing challenges. One of the learnings these brands have discovered through the regular training provided by the Supply Chain Labor Management Team is that their operational challenges are consistent throughout the various brands. The FLA recommends Fast Retailing continue to provide regular training on responsible purchasing practices. As a best practice, the FLA recommends Fast Retailing continue to review the challenges that each brand has in implementing responsible purchasing practices to implement centralized solutions across all brands.

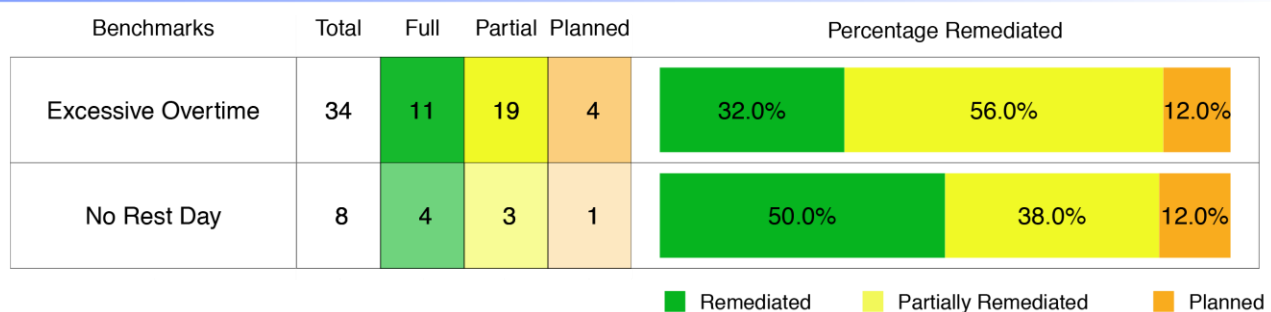
Holding the Relevant Business Staff Accountable to Purchase Responsibly

As articulated in Fast Retailing's Responsible Purchasing Practices Policy, staff from merchandising, product development, and production are held accountable for implementing responsible purchasing practices. Fast Retailing's brands are at different stages in implementing these accountability mechanisms across all brands. For UNIQLO and GU, the responsibility of the member is to ensure purchasing and production decisions are made to uphold responsible purchasing practices. Additionally, UNIQLO and GU time and action calendars to ensure staff are upholding deadlines on product development purchase order (PO) placement. UNIQLO's production team keeps track of order delays and the reason for these delays. At the HQ Assessment, FLA staff reviewed this tracker and also noted that responsibility for the delay is assigned to specific staff members responsible for the order. At the time of the HQ Assessment, GU did not have a production planning team in place; however, this team was launched throughout 2018, who is responsible for maintaining a similar system to ensure staff are held accountable for responsible purchasing practices.

Through the trainings provided to the Theory U.S. and Helmut Lang, LTJ J. Brand, PLST, Princess Tam.Tam, and CDC, the Supply Chain Labor Management Team has supported the brands in developing plans to implement accountability mechanisms. While the FLA recognizes UNIQLO and GU represent the majority of Fast Retailing's business, the FLA recommends Fast Retailing continue to provide support to its smaller brands to effectively implement accountability mechanisms to ensure staff are held accountable for responsible purchasing practices. FLA staff also provided recommendations following the HQ Assessment on how Fast Retailing can better track performance based on on-time PO placement, on-time delivery, and the audit grades of the facilities its brands source from. FLA recommends Fast Retailing work to develop its internal data and PLM systems to collect, track, and analyze this information to hold departments accountable.

The FLA also considers the labor violations found during the SCI Assessments indicators of potential risks to the implementation of responsible purchasing practices. The below chart shows the number of violations for excessive overtime and no rest day for workers from 31 SCI and SCIV Assessments. The FLA found 34 excessive overtime violations and 8 violations in which workers did not receive a rest day during a seven-day period. While the FLA understands assessed facilities are often multi-buyer facilities, where Fast Retailing will have a range of leverage depending on its production capacity within the facility, the FLA continues to recommend Fast Retailing improve its purchasing practices to positively impact and support the facilities' remediation of these violations. The FLA also notes the progress of remediation, in which 32% of excessive overtime findings have been reported remediated and 50% of rest day violations have been remediated.

FLA REMEDIATION PROGRESS CHART



Dialogues with Relevant Business Staff & Suppliers to Implement Responsible Purchasing Practices

Throughout its FLA affiliation, Fast Retailing has been making continuous progress to improve internal dialogue with its Supply Chain Labor Management Team and the relevant purchasing teams across all brands. As noted earlier, the Supply Chain Labor Management Team regularly worked with UNIQLO and GU to have continuous dialogue and insight to these brands' purchasing practices. Following the HQ Assessment, the Director, Sustainability implemented plans with all other brands to discuss the Responsible Purchasing Practices Policy and Guidelines through its training programs. The FLA reviewed various emails and agendas to verify the on-going discussion to improve Fast Retailing's implementation of this Principle.

As mentioned under Principle 5, as Fast Retailing improved its pre-sourcing application process, the planning teams identified the need to consolidate smaller POs within their current factory base. When the issue of the undisclosed facilities was found, part of the solution to address this oversight was to review the planning practices of these brands. For example, PLST was placing small orders of products developed by the facilities for the domestic market in South Korea with many different facilities that could be consolidated with better planning practices. PLST, Theory Japan, and J. Brand worked to address where supply chain consolidation could be implemented, considering the impact of the facilities if the orders were not placed in future seasons.

In 2017, Fast Retailing contacted the FLA with concerns of the potential closing of a factory in Cambodia. FLA requested further information to understand the situation and provided recommendations on ensuring workers receive their legally owed severance packages. In the end, the factory ownership decided not to close its operations; however, FLA also had inquired about Fast Retailing's responsible exit strategy. The FLA provided guidance materials on how to strengthen the strategy and recommended Fast Retailing discuss with other accredited FLA brands on how they have implemented their own responsible exit strategies to mitigate risks of retrenchment and closures. Following receiving the guidance materials and having calls with other accredited FLA brands, Fast Retailing improved its responsible exit strategy and included it in its Responsible Purchasing Practices Policy. Additionally, this strategy is used by the Business Ethics Committee when decisions to exit or to significantly reduce business volume a facility need to be made. The exit strategy is also included in Fast Retailing's training on responsible purchasing practices.

Fast Retailing also regularly engages with suppliers to better understand their capacity constraints and to strive to find solutions to mitigate negative impacts on workers. For example, at the HQ Assessment, FLA staff discussed with UNIQLO production staff on how UNIQLO has implemented a planning practice to book capacity with material suppliers for its HEATTECH fabric, a popular product at UNIQLO that multiple Fast Retailing factories produce. UNIQLO's planning staff discussed that the planning and ordering for HEATTECH is predictable as long as UNIQLO defined its product strategy, so in 2018, they have been booking capacity directly with textile mills which regularly produce this material, instead of Tier 1 suppliers trying to book individual capacity. By booking capacity with the textile mills early, Tier 1 suppliers did not need to individually book capacity with the mills. This practice allowed for better efficiency for the mills, improved on-time delivery of the materials, and a better price negotiation because of the bulk capacity booking. FLA staff discussed with UNIQLO that they are continuing to identify large and consistent material orders that they can book capacity to expand the practice; and that GU will start to implement a similar practice when its production planning team is established.

Additionally, Fast Retailing has implemented a supplier survey to collect supplier feedback on Fast Retailing's purchasing practices. Fast Retailing based its survey on an early publicly available version of Better Buying's supplier survey; Better Buying is a non-profit that specializes in collecting anonymous supplier feedback on

purchasing practices, analyzes the data, and provides ratings to participating buyers on their purchasing practices. Fast Retailing has been using the survey results from its suppliers to improve its responsible purchasing practices trainings and dialogues with relevant purchasing staff internally. It has been noted through these trainings, that the challenges suppliers have reported are often consistent among Fast Retailing Brands. The FLA recommends Fast Retailing continue to engage with suppliers to understand their feedback and implement solutions to mitigate negative impacts on workers and factories. Additionally, the FLA encourages Fast Retailing to consider formal participation with Better Buying to allow for anonymous feedback from suppliers.

Incentivizing Suppliers to Improve Conditions for Workers

Incentivizing suppliers to improve conditions for workers is included in Fast Retailing's Responsible Purchasing Practices Policy; to implement this policy, Fast Retailing evaluates all facilities through its regular audits. For UNIQLO and GU, the audit grade is integrated into a supplier scorecard that also include metrics on quality and on-time delivery. Suppliers that perform well against UNIQLO and GU's scorecard are recognized during their annual supplier summits. Additionally, strategic suppliers who perform well are prioritized for a potential increase in business and they strive to keep carry-over or repeat product programs with the same strategic supplier. The FLA recommends the other Fast Retailing brands consider developing an integrated scorecard and formalize its incentives for suppliers. Additionally, the FLA recommends Fast Retailing continue to incentivize

suppliers who improve conditions for workers and consider other incentives like a formal long-term commitment, multi-year booking of programs or capacity, and investment in capacity building projects.



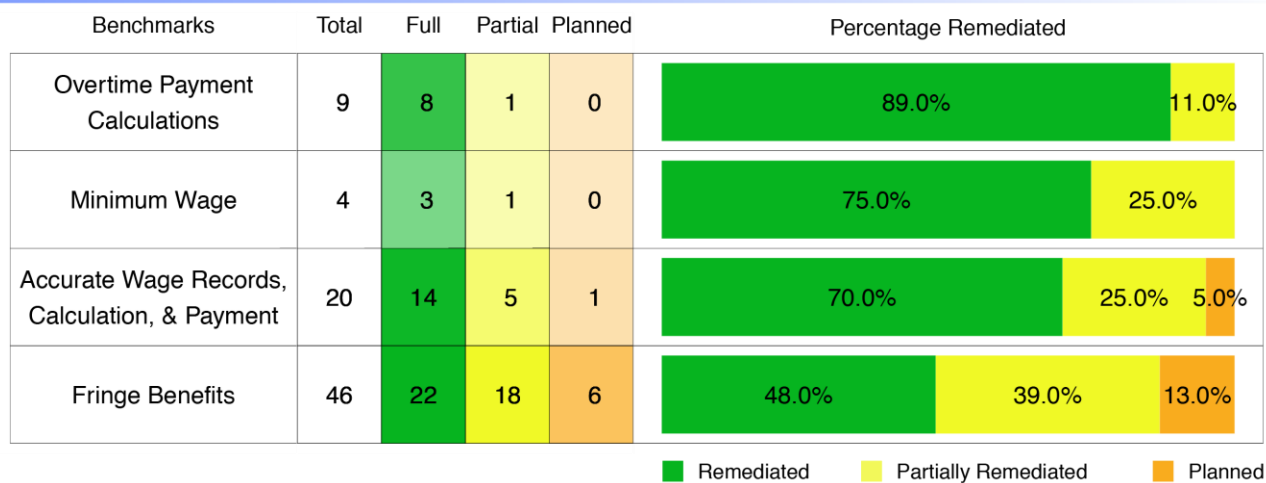
A worker at a production facility for Fast Retailing.

The FLA also notes Fast Retailing's commitment to fair compensation through its Production Partners Code of Conduct and its commitment within its Responsible Purchasing Practices Policy for costing negotiations to take consideration of minimum wages. In 2018, Fast Retailing began to pilot the FLA's Compensation Data Tool Kit to analyze workers' wages and compensation in Bangladesh, Cambodia, China, and Vietnam. The Supply Chain Labor Management Team worked with 48 facilities to collect wage data; and reviewed the wage ladders with FLA staff to further understand the results. While reviewing with FLA staff, the Supply Chain Labor Management Team noted how one of its facilities' average net wages was barely over the minimum wage in China due to this factory having minimum wage violations in 2017, while the overall income was beyond the applicable minimum wage. For another facility, the FLA and Fast Retailing discussed how this facility's average net wage per worker was above the living wage benchmark set by Asia Floor Wage. The Supply Chain Labor Management Team noted that this facility, which received a B-grade on its last audit in September

2018, was also fully compliant with contributing to workers' social insurance benefits and that it was one of its strategic facilities that produces one of UNIQLO's popular product, its Ultra Light Down jackets and vests. This example showed how workers are benefitting from factory investment in productivity and from Fast Retailing allocating a popular and stable product program to its strategic facility, especially noting the challenges for facilities to be fully compliant with contributions to social insurance benefits in China.

Below is a chart showing the labor violations from Fast Retailing's SCI and SCIV Assessments for overtime payment calculations; minimum wage; accurate wage records, calculation and payment; and fringe benefits (including social insurance and security benefits). The FLA recognizes Fast Retailing is making significant progress to address overtime payment calculation and minimum wage violations, recognizing that both violations have been almost fully remediated, with just two violations with partial remediation implemented. However, the FLA also notes the progress still to be made to fully remediate violations on fringe benefits, with 48% of 46 violations fully remediated. Twenty of Fast Retailing's 31 assessments included in this analysis had violations on fringe benefits, with half of those FLA assessments taking place in China.

FLA REMEDIATION PROGRESS CHART



The FLA recognizes the common challenges in China to ensure workers receive their full contributions to social insurance; because both the supplier and worker must contribute to these benefits, the calculation of the contribution is often based on the minimum wage and not workers' actual wages. Worker and management interviews often find workers prefer to contribute less to the social insurance benefits so that they can earn more money. However, contributing to these benefits means workers have access to medical, maternity, unemployment, retirement, and injury insurance. The FLA recommends Fast Retailing continue to work with its suppliers to remediate violations that contribute to workers' poverty and continue to incentivize and support suppliers so that workers can make fair compensation when making Fast Retailing products. Additionally, the FLA recommends Fast Retailing continue to implement responsible purchasing practices so costing negotiations consider fair compensation for workers.

PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY⁹**Civil Society Engagement Strategy**

Fast Retailing developed an Engagement Strategy and analysis tool to collect and review civil society organizations within labor and human rights. The FLA reviewed this strategy and tool and verified that Fast Retailing's strategy considers the current challenges Fast Retailing faces in upholding its commitment to labor rights. Fast Retailing developed a rating matrix to prioritize its mapped civil society organizations that Fast Retailing could engage with to address specific labor or programmatic challenges. Fast Retailing then developed specific country strategies for Bangladesh, Cambodia, China, Indonesia, Myanmar, and Vietnam. The FLA reviewed the strategies and mapping, and the FLA's Chief of Engagement provided further feedback on areas for Fast Retailing to consider.

EMEA Civil Society Engagement

Turkey: In 2018, Fast Retailing was notified of violations to freedom of association that have been raised through various unions at its facilities. Fast Retailing engaged with the unions' federation to further understand the issue and support remediation efforts to allegations of violations to freedom of association. However, the remediation demand of the union federation would conflict with Turkey's law. With the support from the FLA, Fast Retailing and other brands better understood the risks of union favoritism and supported improving the involvement of all unions within the facility.

East Asia Civil Society Engagement

China: Fast Retailing has started to engage with the [Center for Child Rights and Corporate Social Responsibility](#) (CCR CSR). CCR CSR specializes in capacity building projects to address child rights, specifically children with domestic migrant worker parents. The capacity building projects aim to strengthen to improve children's rights, especially those with foreign migrant parents. To improve dialogue between workers and management, Fast Retailing is also working with [Timeline Consultancy](#), a capacity building service provider based in Guangzhou, China. This program will focus on social dialogue and worker-management communication channels.

South East Asia Local Labor Civil Society Engagement

Cambodia: To address risks of Child Labor and improve age verification programs at factories, Fast Retailing is engaging with the [Asia Society for Social Improvement and Sustainable Transformation](#) (ASSIST) Cambodia. Additionally, Fast Retailing is engaging with [ACT Cambodia](#) to better understand issues of fair compensation and collective bargaining. Fast Retailing has also supported with the FLA's and American Apparel & Footwear Association's (AAFA) engagement with the Cambodian government to voice concerns for civil society and workers' rights. Fast Retailing's member joined a meeting with the FLA and AAFA in Cambodia that set the foundation for the FLA and AAFA to more strongly [express](#) concerns later in 2018 about the labor conditions and the criminal charges against members of civil society.

Indonesia: In 2015, a factory Fast Retailing had exited in 2014 closed without providing the legally-owed severance packages to its workers. The Clean Clothes Campaign launched a [campaign](#) to advocate for workers to receive financial donations from the former buyers at the facility to make up for the severance packages that factory was legally responsible for and had failed to pay. Throughout this campaign, Fast Retailing has provided [public](#) responses to the Clean Clothes Campaign. In July 2017, Fast Retailing met with the Workers' Rights

⁹ Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions

Consortium, Solidarity Center Indonesia, representatives from the factory union, representative from the National Board of FSPMI, and the General Secretary of National Level (FSPMI) to discuss this issue; however, there was no agreed-upon resolution. In November 2018, Fast Retailing's Group Senior Vice President, Sustainability, Director, Sustainability, Director, Legal, and a regional supervisor met with the Clean Clothes Campaign and the union to try to resolve the issue. A mediator from [The Practice](#), an Indonesian consulting firm, mediated the November 2018 meeting between the different parties, and there was no final resolution. FLA staff interviewed the mediator from this meeting who verified his presence and involvement in the meeting but did not disclose specific details regarding the discussions during the mediation process. The mediator discussed his mediation experience, certification by [Pusat Mediasi](#) (the National Mediation Center) in Indonesia, and the process he usually follows to achieve resolutions. The mediator did note that the process followed with Fast Retailing, the Clean Clothes Campaign, and the unions had differed from the norm, due to time constraints by the parties leading up to the meeting. Following this call, the FLA recommended Fast Retailing continue to participate in mediation efforts with the Clean Clothes Campaign and the unions to seek a suitable resolution for the factory workers.

Myanmar: The FLA conducted a call with [SMART Myanmar](#) to verify Fast Retailing's engagement encouraging suppliers in Myanmar to attend training from SMART Myanmar. The FLA interviewed SMART Myanmar, who discussed the challenges to social dialogue and age verification and provided summaries of trainings Fast Retailing suppliers have attended. Representatives from all Fast Retailing production facilities in Myanmar have attended trainings on grievance mechanisms, effective dialogue, and dispute resolution. Fast Retailing continues to encourage its suppliers to attend these trainings. Fast Retailing is also considering project proposals from CCR CSR to work on improving age verification mechanisms at the factory level to mitigate child labor risks.

South Asia Civil Society Engagement

Bangladesh: Fast Retailing was a 2013 signatory of the [Bangladesh Accord on Fire and Building Safety](#) following the tragedy at Rana Plaza, when hundreds of workers died when a factory building collapsed. Fast Retailing also signed the Transition Accord in 2018, as established after the Accord's four-year term ended. The Accord requires signatory companies to disclose their factories in Bangladesh, so the Accord can inspect buildings to review conditions of fire safety and building integrity. Suppliers and buyers are then held publicly accountable for remediating the violations found by the Accord. Fast Retailing also has been engaging with Change Associates and AWAJ Foundation to establish complain committees at its facility, as previously discussed under Principle 4.

The FLA recognizes Fast Retailing's expanding engagement with civil society and nonprofit organizations to better understand the conditions workers face and to support in improving workers' livelihoods. The FLA recommends Fast Retailing continue to engage with civil society organizations in all high-risk and high production volume countries and review and analyze the impact of civil society engagement on working conditions.

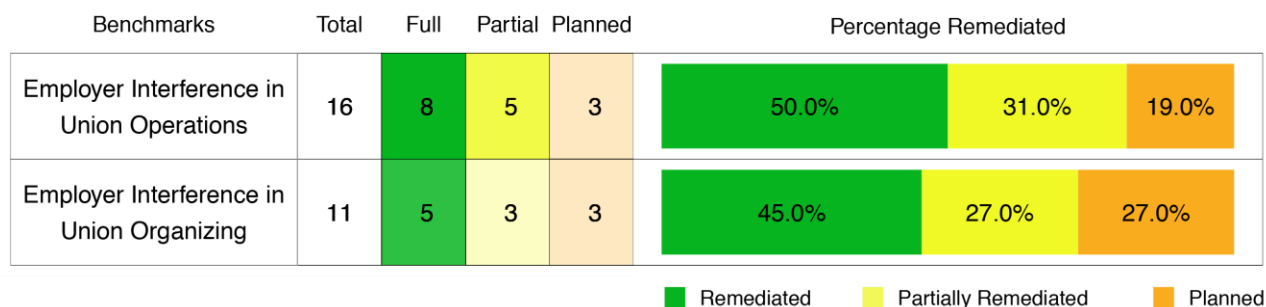
Unions & Worker Representative Structures

Fast Retailing's monitoring program includes various protocols to gain the understanding of union structures, including inviting union and/or worker representatives to the opening and closing meetings, including representatives in the interview process, and requiring a follow-up process to verify remediation after a critical issue in which the union was affected, as discussed under Principle 7.

In 2017, Fast Retailing was involved in a Third Party Complaint (3PC) at [Aydinli Deri](#), a factory in Turkey. The investigation and remediation were led by Hugo Boss, an accredited Participating Company; however, Hugo Boss exited the factory shortly after finalizing the remediation plan. The allegations centered on freedom of association and specifically on dismissal of union members, who were only re-hired after they agreed to resign from the union (Deriteks). The remediation plan required that factory management communicate a statement to uphold freedom of association and to provide training to workers and managers on freedom of association. In 2018, Fast Retailing conducted a follow-up audit to verify remediation actions had been implemented. While there is now a draft freedom of association policy and training has been provided to managers, the FLA recommends Fast Retailing continue to work with Aydinli Deri to ensure sustainable remediation actions address freedom of association conditions at the facility.

The FLA also notes the progress of remediation Fast Retailing has made in addressing violations of freedom of association found in the FLA SCI and SCIV Assessments. The FLA found 27 violations of management interference with union organizing or operations in 31 Assessments. Fast Retailing has been reporting progress in ensuring workers can be represented freely and collectively; which is evident from the focus of implementing programs with civil society on social dialogue and industrial relations. The FLA notes Fast Retailing has remediated 50% of the interference with union operations violations and 45% of the interference in union organizing violations. The FLA recommends Fast Retailing continue to improve its social compliance program and engagement with civil society to ensure workers have a voice in improving working conditions.

FLA REMEDIATION PROGRESS CHART



PRINCIPLE 10: VERIFICATION REQUIREMENTS¹⁰

Fast Retailing has remained engaged and supportive of the FLA mission and has participated in FLA Board Meetings each year since affiliating with the FLA in 2015. Fast Retailing also attended the FLA Europe Meeting in 2017. Fast Retailing's commitment to the FLA and fulfillment of FLA obligations are integrated into their Sustainability Program and specifically noted in their FLA Standard Operating Procedures, which include all FLA requirements and activities.

Fast Retailing strives to maintain an updated factory list with the FLA and has received SCI Assessments, submitted corrective action plans, and provided remediation updates in a timely manner. Following identifying the undisclosed facilities as mentioned under Principles 3, 5, and 8, the Supply Chain Labor Management Team provided the completed factory list within two months. The slight delay was due to the consolidation review

¹⁰ Principle 10: Company affiliate meets FLA verification and program requirements.

process with Fast Retailing's planning teams. The FLA confirms Fast Retailing has completed all administrative requirements, including payment of annual dues, and the timely submission of annual self-assessments and updates to SCI assessments. Additionally, Fast Retailing has supported the FLA in piloting training programs with the FLA Capacity Building Team. The FLA piloted an Internal Monitoring Training and a Train-the-Trainer program in Vietnam and Turkey with Fast Retailing before formalizing the training programs for FLA members.

SECTION 4: CONCLUSION AND RECOMMENDATION TO THE BOARD OF DIRECTORS

This review of Fast Retailing's labor compliance program is intended to help inform the decision of the FLA Board of Directors on whether to accredit the company's program.

The FLA staff conclusion is that since affiliation as a PC, Fast Retailing has increasingly developed a labor compliance program that, on balance, aligns with FLA standards, benchmarks, and protocols. Accreditation is a measure of the capacity of a company's labor compliance program to ensure respectful and ethical treatment of workers. The FLA recognizes that no labor compliance program is perfect; the notion of continuous improvement means that there will be instances when a specific principle or benchmark is not met, yet such occurrence does not call into question the integrity of an affiliate's entire program. The FLA will continue to provide programmatic recommendations to further an affiliate's labor compliance efforts in support of the FLA's mission to protect workers' rights and ensure decent working conditions. FLA staff recommends to the FLA Board of Directors the accreditation of the Fast Retailing labor compliance program.

The assessment identified areas in which Fast Retailing's labor compliance program is strong and areas improvements are possible.

Strengths of Fast Retailing's labor compliance program:

- 1) Increased top management and public commitment to upholding workplace standards;
- 2) Resource and staff capacity to implement the program;
- 3) Improved assessment of functioning grievance mechanisms and implementation of a confidential reporting channel for workers;
- 4) A follow-up audit process to ensure remediation actions have addressed labor violations; and
- 5) Engagement with civil society to address systemic labor violations.

Suggestions to strengthen Fast Retailing's labor compliance program:

- 1) Continue to ensure suppliers understand and implement the workplace standards;
- 2) Further implementation of responsible purchasing practices across all brands;
- 3) Begin to develop a strategy to achieve fair compensation for workers; and
- 4) Continue to support suppliers to sustainably remediate labor violations in Fast Retailing's supply chain.

APPENDIX A: THE FAST RETAILING CODE OF CONDUCT

FAST RETAILING Group Code of Conduct for Production Partners

At FAST RETAILING, we are committed to creating truly great clothing and bringing joy of wearing clothes to customers all over the world. The concept of providing truly great clothing includes maintaining integrity, respecting human rights and caring for the environment in every aspect of our business activities. We believe in the importance of ensuring decent working environments and sustainability throughout the manufacturing process of our products. This code sets the following minimum standards to be met by all manufacturers involved in manufacturing FAST RETAILING Group companies' products, accessories of our products and items related to our products, i.e. our production partners.

Legal Requirements

Production partners must comply with all applicable local, national laws and regulations, legal requirements, and applicable treaties in the country or countries in which they operate (hereinafter referred to as "Laws"). However, FAST RETAILING's requirements may exceed those requirements set out in local law in order to safeguard worker rights under applicable national and international labor and social security laws and regulations.

Child Labor

No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.

Forced Labor

Production partners shall not use any bonded, indentured, forced, or slave labor, labor conducted by prisoners, labor similar to slavery, or labor engaged through human trafficking.¹¹ Workers shall not be required to submit original personal legal documents or make deposits of any kind at any time during the recruitment and employment process. Workers' freedom of movement shall not be restricted in either their workplace or living quarters.

Coercion and Harassment

Production partners must treat all workers with respect and dignity. Production partners shall not use corporal punishment or any forms of coercion. Production partners shall not engage in or permit any forms of abuse, including physical, verbal, or psychological abuse, or any forms of harassment, including sexual harassment. Production partners shall have a written system of progressive discipline, e.g. the application of escalating disciplinary action from verbal warnings to suspension and finally to termination.

Discrimination

Production partners shall employ workers on the basis of their ability to do the job. Production partners shall not discriminate against workers on the basis of race, gender, color, nationality, religion, age, maternity, marital status, social or ethnic origin, sexual orientation, political opinion, disability, affiliation, non-affiliation, or any other status.

Health and Safety

Production partners shall provide all workers with a safe and healthy environment, ensuring proper health and safety management; building and fire safety; safety of machinery and equipment; access to potable water and suitable sanitary facilities; and safe handling of chemicals. The same standards shall also apply to housing for workers.

Freedom of Association

Production partners shall recognize and respect the right of workers to associate, organize, and bargain collectively. In addition, all production partners shall implement grievance mechanisms to allow all workers to confidentially communicate concerns to the production partner's management and the worker representative without the risk of retaliation and provide effective means remedy such grievances.

¹¹ Production partners shall refer to the *Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery (1957)* for the definitions of "slavery" and practices "similar to slavery", the *Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children (2000)* for the definition of "human trafficking," and *International Labour Organization Convention No. 29* for the definition of "forced labor."

Wages and Benefits

Production partners shall furnish wages and benefits, make monetary deductions, and provide workers with employment contracts in compliance with all applicable Law. Production partners shall also maintain wage-related documentation. No monetary deductions shall be permitted for disciplinary action.

Production partners shall recognize that each worker has a right to wages that meet the worker's basic needs and provide some discretionary income.

Such wages shall be equal or better than the higher of minimum wage or the prevailing industry wage. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with Fast Retailing and other organizations to take appropriate actions that seek to progressively realize a level of compensation that does. (ILO Conventions 26 and 131)

Working Hours

Production partners shall comply with working hour limits established by applicable laws, but under no circumstances shall regular weekly working hours exceed 48 hours per week. The sum of regular and overtime hours in a week shall not exceed 60 hours. Production partners shall provide workers with at 24 consecutive hours of rest in every seven day period. Production partners shall also maintain accurate time-in/out records of each worker. All overtime work shall be consensual. Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate.

Environmental Protection

Apart from complying with all applicable environmental Laws, production partners should strive to improve their environmental performance by meeting the requirements set by FAST RETAILING – requirements that may go beyond applicable environmental Laws.

Documentation and Communication

Production partners shall establish and maintain management systems and internal rules that ensure compliance with all the requirements in this code of conduct. Such rules shall be communicated to all management and workers. The management systems may include policies and procedures for risk assessments, training, performance measurement, accountability and documentation.

Monitoring and Compliance

Production partners must allow FAST RETAILING and its designated agents to access all workers, all facilities, including manufacturing and worker housing facilities, and relevant documents to confirm compliance with the code of conduct, with or without notice provided in advance.

Corrective Action

When violations are found, FAST RETAILING and the production partner will agree on a corrective action plan that eliminates the problem within a reasonable timeframe. If it is found that a production partner is in violation of this code of conduct, FAST RETAILING will take actions, which may include immediate cancellation of orders and/or termination of business with the production partner.

Subcontracting and Procurement

When production partners subcontract production orders submitted by any FAST RETAILING group company to subcontractors, production partners shall ensure that all business activities by such subcontractors are in compliance with this code of conduct. 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.

Transparency and Integrity

FAST RETAILING expects all business with our production partners to be carried out in an ethical and transparent manner. FAST RETAILING does not tolerate any forms of unethical behavior, including bribery, concealment or falsification of records, or influencing workers to mislead FAST RETAILING and its designated agents.

APPENDIX B: FAST RETAILING'S REMEDIATION PROGRESS CHART

FLA REMEDIATION PROGRESS CHART

Benchmarks	Total	Full	Partial	Planned	Percentage Remediated
Monetary Fines	2	2	0	0	100%
Overtime Payment Calculations	9	8	1	0	89% 11%
Fire Safety & Emergency	141	107	21	13	76% 15% 9%
Minimum Wage	4	3	1	0	75% 25%
Personal Protective Equipment	28	21	6	1	75% 21% 4%
Accurate Wage Records, Calculation, & Payment	20	14	5	1	70% 25% 5%
Verbal Abuse	3	2	1	0	67% 33%
Industrial Relations & Grievance Mechanisms	73	45	20	8	62% 27% 11%
Freedom of Movement	4	2	2	0	50% 50%
No Rest Day	8	4	3	1	50% 38% 12%
Employer Interference in Union Operations	16	8	5	3	50% 31% 19%
Supervisor Training	31	15	12	4	48% 39% 13%
Fringe Benefits	46	22	18	6	48% 39% 13%
Employer Interference in Union Organizing	11	5	3	3	45% 27% 27%
Protection of Pregnant Workers & New Mothers	10	4	5	1	40% 50% 10%
Excessive Overtime	34	11	19	4	32% 56% 12%
Recruitment Practices	4	1	3	0	25% 75%

■ Remediated
 ■ Partially Remediated
 ■ Planned