



## Company Engagement Questions:

### KnowTheChain Apparel & Footwear benchmark

Companies can use these questions to provide additional information relevant to KnowTheChain is benchmarking 20 apparel & footwear companies on their commitments and programs targeted at addressing human trafficking and forced labor in the supply chain.

Each company has been invited to respond to the questions below by 1 July 2016. The responses will be published on the [website of Business & Human Rights Resource Centre \(BHRRC\)](#), one of the partners in KnowTheChain.

#### Documents

**1. Please share links to any policy statements, reports, or other documents that you would like to be taken into account in a review of your company's approach to managing forced labor risks in the supply chain.**

*Note: You may be aware that the [Corporate Human Rights Benchmark \(CHRB\)](#) is analyzing companies' broader human rights policies and performance. Where the KnowTheChain benchmark indicators are related to [indicators of the CHRB](#), this is indicated under each engagement question.*

*We welcome that some companies have disclosed information on their human rights policies and practices for the [Corporate Human Rights Benchmark \(CHRB\)](#). Where companies have disclosed information on specific CHRB indicators, as well as any links available from the company website, these will be considered in the KnowTheChain analysis. Third party information and links to third parties websites will not be considered.*

- <http://www.fastretailing.com/eng/csr/business/production.html>
- <http://www.fastretailing.com/eng/csr/business/supplier.html>
- <http://www.fastretailing.com/eng/csr/business/bangladesh.html>
- <http://www.fastretailing.com/eng/csr/business/monitoring.html>
- [http://www.fastretailing.com/eng/csr/report/pdf/csr2016\\_e.pdf#page=1&pagemode=thumbs&zoom=80](http://www.fastretailing.com/eng/csr/report/pdf/csr2016_e.pdf#page=1&pagemode=thumbs&zoom=80)
- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf>

#### **Commitment and governance**

##### **Awareness and commitment**

**2. Has your company made a formal commitment (e.g. adopted a policy) to address human trafficking and forced labor? Please include a link to the commitment.**

Fast Retailing Group has publicly committed to ban human trafficking and forced labor and we have developed a Code of Conduct (hereunder referred to as “Code of Conduct” or “CoC”) (based on the ILO Core conventions), which we require all production partners to adhere to.

Our CoC clearly states that our 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.

We are committed to eradicate child and forced labor, employ people with disabilities, support the socially vulnerable, empower women, promote diversity, and effectively manage human resources globally. This focus on people is critical for our business and is supported by our CEO. We strive to instill in all employees a common set of values, while upholding human rights and practicing strict compliance.

Ensuring ethical working conditions in production is a crucial part of this effort. Going forward, we will continue to make contributions to improving the conditions and lives of workers by listening to our diverse stakeholders and meeting the expectations of a constantly changing society.

Sources:

- [http://www.fastretailing.com/eng/csr/report/pdf/csr2016\\_e.pdf#page=1&pagemode=thumbs&zoom=80](http://www.fastretailing.com/eng/csr/report/pdf/csr2016_e.pdf#page=1&pagemode=thumbs&zoom=80) (p.13 CEO statement, Concern for Human Rights)
- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf>
- <http://www.fastretailing.com/eng/csr/business/supplier.html>

### Supply chain standards

**3. Does your company have a supply chain standard that requires suppliers to uphold workers' fundamental rights and freedoms, including the elimination of forced labor? Please include a link to the standard, and provide information on how frequently the standard is updated.**

Related to indicator A.1.2 of the CHRB

Fast Retailing believes in the importance of ensuring decent working environments and sustainability throughout the manufacturing process of our products, therefore we have implemented a ‘Code of Conduct for Production Partners’. This code sets out the 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.

We require each supplier to sign the Code of Conduct as a guarantee of acknowledgment and respect of it. The code was drafted in 2004 and is reviewed on an annual basis.

Source:

- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf>

## **Management**

### **4. Who within your company is responsible for the implementation of your company's supply chain policies and standards relevant to human trafficking and forced labor? Please indicate the committee, team or officer, and describe the scope of their responsibility and how they interact with other internal teams, groups or departments**

*Related to indicator B.1.1 of the CHRB*

To support and promote our activities to ensure we abolish human trafficking and forced labor in our supply chain, we have established as part of our overall Corporate Governance structure, a Corporate Social Responsibility (CSR) Department, CSR Committee, Code of Conduct Committee, Business Ethics Committee and an Internal Control Department.

#### **CSR Department**

The CSR Department is managed from the Global Headquarters and we have CSR managers and team members located in our other major regions, including China, Bangladesh, Vietnam and Indonesia. Our CSR team also participates in monthly meetings with production Department to verify their plans, and monitors Fast Retailing's order to ensure that proper working conditions are maintained. Every six months, CSR managers and members gather for a Global CSR Meeting at the Global Headquarters, to share information on recent challenges and activities in their countries and regions.

#### **CSR Committee**

The CSR Committee discusses and directs Fast Retailing's overall CSR strategy, from compiling and publishing the annual CSR report to promoting environmental protection, social responsibility, compliance and diversity. The head of the CSR Department chairs the committee. Members include outside experts, external statutory auditors and Group officers. All Group Executive Vice Presidents who serve on the CSR Committee are responsible for ensuring that business decisions fully align with CSR objectives.

#### **Code of Conduct Committee**

The Code of Conduct Committee considers how best to resolve any violations of the Fast Retailing Group Code of Conduct, and when to make improvements to it. It offers guidance on educating executives and employees about the requirements of the CoC, and on operating the confidential hotline. The committee is chaired by the Legal Department, and includes auditors and legal advisors. The executive office for this committee is located in the Global Headquarters and works with the CSR Department to ensure the company's responsibilities to society and the environment are met.

#### **Business Ethics Committee**

This committee ensures the Group does not use an advantageous position to exert undue pressure on business counterparts such as partner factories and suppliers. The committee provides advice and counsel to departments based on external field inspections and partner company surveys. The executive office for this committee is located in the Global Headquarters and works with the CSR Department to ensure the company's responsibilities to society and the environment are met.

#### **Internal Control**

Fast Retailing seeks to consistently improve its corporate ethics and compliance through a number of internal controls. These are meant to ensure strict adherence to the Group's policies and rules, including the Group's management principles, the Fast Retailing Way and the Fast

Retailing Group Code of Conduct. CSR Department is in cooperation with our Internal Audit Department and our Legal Department taking charge of compliance issues.

Sources:

- <http://www.fastretailing.com/eng/csr/vision/organization.html>
- <http://www.fastretailing.com/eng/csr/governance/>

## Training

**5. Does your company conduct training programs for internal decision-makers and suppliers' management teams on risks, policies and standards related to human trafficking and forced labor (this may include training on elements such as passport retention, payment of wages, and vulnerable groups such as migrant workers)? Please describe.**

*Related to indicator B.1.5 (internal training) and B.1.7 (training of suppliers) of the CHRB*

Fast Retailing provides trainings both for Production Department and suppliers according to the Code of Conduct for Production Partners.

We have developed a very practical training program for partner factories to ensure that they fully understand the company's standards. We work with partner factories to improve their management capacity, helping them to create their own internal auditing systems and requiring the appointment of on-site CSR representatives. The CSR Department also holds regular training sessions at its production offices for these CSR representatives.

Trainees study workers' rights, health and safety management, the value of improving working conditions, and also share good practices for other trainees to consider applying at their own factories.

Furthermore, as affiliate of the Fair Labor Association, we are developing a manual to train internal employees on monitoring programs.

Sources:

- [http://www.fastretailing.com/eng/csr/report/pdf/csr2016\\_e.pdf#page=1&pagemode=thumbs&zoom=80](http://www.fastretailing.com/eng/csr/report/pdf/csr2016_e.pdf#page=1&pagemode=thumbs&zoom=80) : (p.22 *Improving Management Capacity at Partners Factories*)
- <http://www.fastretailing.com/eng/csr/business/monitoring.html>

## Stakeholder engagement

**6. In the last three years, has your company engaged on human trafficking and forced labor, especially as it relates to the supply chain a) with local stakeholders such as NGOs, trade unions or policy makers or b) in multi-stakeholder initiatives? Please describe with whom your company has engaged, the purpose of the engagement and how it relates to forced labor and human trafficking in the supply chain, and your company's role and level of engagement.**

*Related to indicator A.1.4 of the CHRB*

Through strong partnerships with supplier factories, NGO's and MSI's Fast Retailing strives to create working environments where legal rights are protected, human rights are ensured, and employees can work in safe and healthy environments for the long term.

Fast Retailing engaged with Responsible Sourcing Network to ban the use of Uzbekistan Cotton in our products.

We are aware of reports documenting the systemic use of child and adult forced labor in the harvest of cotton in Uzbekistan. We are collaborating with a multi-stakeholder coalition to raise awareness of this very serious concern, and press for its elimination. As a signatory to this pledge, we are stating our firm opposition to the use of child and adult forced labor in the harvest of Uzbek cotton.

We commit to not knowingly source Uzbek cotton for the manufacturing of any of our products until the Government of Uzbekistan ends the practice of forced child and adult labor in its cotton sector. Until the elimination of this practice is independently verified by the International Labor Organization, we will maintain this pledge.

To reaffirm our commitment to improving factories' workers conditions and protecting their rights, we became an affiliate of The Fair Labor Association (FLA) in July 2015. By joining the FLA we have publicly committed to ten Principles of Fair Labor and Responsible Sourcing (and/or Production) and agree to uphold the FLA Workplace Code of Conduct in their supply chain. In this Code of Conduct, FLA specifically bans forced labor and child labor.

Sources:

- <http://www.fastretailing.com/eng/csr/business/production.html>
- <http://www.sourcingnetwork.org/the-cotton-pledge/> (list of companies)
- [http://www.fastretailing.com/eng/csr/report/pdf/csr2016\\_e.pdf#page=1&pagemode=thumbs&zoom=80](http://www.fastretailing.com/eng/csr/report/pdf/csr2016_e.pdf#page=1&pagemode=thumbs&zoom=80) (p.19 Collaborating with Industry Groups)
- <http://www.fairlabor.org/affiliate/fast-retailing>
- <http://www.fairlabor.org/our-work/labor-standards>

## **Traceability and risk assessment**

### **Traceability**

**7. Please describe your company's supply chain tracing processes.**

**Does your company publicly disclose a) the names and locations of first-tier suppliers, and b) some information on suppliers beyond the first tier? If yes, please provide a URL.**

*Related to indicator D.2.3 of the CHRB*

Fast Retailing has been monitoring working conditions at sewing factories, our first-tier suppliers, since 2004. In September 2015, we began workplace monitoring at certain fabric manufacturers of UNIQLO brand, covering 70% of the brand's production volume, in addition to monitoring their environmental impacts.

We have 100% visibility of our Tier 1 suppliers for all of our brands, however we do not currently disclose the names and locations of first-tier suppliers.

### **Risk assessment**

**8. Please describe your companies' risk assessment processes. Please include specific examples of when your company has conducted forced labor risk or impact assessments focused on a particular commodity, region or group (e.g. migrant workers in a specific context), as well as the forced labor risks identified through these risk assessment processes (e.g. high risk commodities or high risk sourcing countries).**

*For examples of commodities where forced labor risks have been identified - such as cotton from Brazil, silk from Uzbekistan or leather from the Bangladesh - see Verite (2016) – "[Strengthening protections Against Trafficking in Persons in Federal and Corporate Supply Chains Research on Risk in 43 Commodities Worldwide](#)".*

*Related to indicator B.2.1 of the CHRB*

As part of our risk assessment process we work with external auditors to verify that partner factories satisfy our Code of Conduct for Production Partners. We risk assess workplaces in our partner factories worldwide to ensure high standards and have a zero tolerance policy for child and forced labor. We have strict controls to ensure fair wages and prevent excessive working hours. Fast Retailing implements pre-contract monitoring for new business partners. The pre-contract monitoring assessment has led to fewer violations and higher evaluation scores after production commences.

We have focused our efforts where we know there is a high risk of forced labor, such as Uzbekistan. Concerns have been raised that the Government of the Republic of Uzbekistan is involved in the use of child and forced labor in harvesting cotton within its borders. We ensure, through all of our supply chain partners, that we do not knowingly source Uzbek cotton for the manufacturing of any of our products, and have pledged not to do so until inspections by reliable international agencies indicate that the issue has been satisfactorily resolved. Additionally, we are working in collaboration with NGOs and other apparel brands to mitigate the risk and to address the issue of child and forced labor in Uzbekistan.

Finally, we are committed to the California Transparency in Supply Chain Act of 2010, and we conduct a continuous risk assessment of our supply chain for understanding human rights issues, including human trafficking and slavery. We regularly review relevant reports, and interact with government authorities and private specialists to keep our knowledge and information up to date.

Sources:

- <http://www.fastretailing.com/eng/csr/business/production.html>
- <http://www.sourcingnetwork.org/the-cotton-pledge/> (list of companies)
- <http://www.fastretailing.com/eng/csr/business/production.html>

### **Purchasing practices**

#### **Purchasing practices**

**9. Does your company make an effort to avoid purchasing practices that increase the risk of human trafficking and forced labor in the supply chain (e.g. short-term contracts, excessive downward pressure on pricing, sudden changes of workload?) Please elaborate.**

*Related to indicator D.2.2 of the CHRB*

To avoid purchasing practices that increases the risk of human trafficking and forced labor in the supply chain, the Production Department and suppliers (in other cases, supplier agents) discuss the production plan, separately from the purchase agreement, on a regular basis.

## Supplier selection

**10. Does your company assess risks of forced labor at potential suppliers prior to entering into contracts with them (this may include aspects such as passport retention and payment of wages)? Please describe.**

*Related to indicator B.1.7 of the CHRB*

Fast Retailing implements pre-contract monitoring for all new business partners. In 2014, monitoring standards were raised and rules were reinforced. Early improvements resulting from this pre-contract monitoring led to a decline in the percentage of factory violations after operations began. Many factories that received guidance also saw their evaluation scores improve. As part of such pre-contract monitoring, we assess the risk of forced labor of potential suppliers. In the pre-contract monitoring, child labor, human trafficking and forced labor issues are addressed. The outcome of our pre-contract monitoring determines whether a factory is eligible to do business with Fast Retailing. The procedures and criteria are essentially the same as those used for regular monitoring, with added emphasis on particularly-important concerns, such as violations of child labor laws.

Source:

- <http://www.fastretailing.com/eng/csr/business/monitoring.html>

**11. How does your company take into consideration the capacity of suppliers to meet fluctuating demands (to reduce the risk of undeclared subcontracting)?**

The Production Department shares the production plan in advance and negotiates the capacity to be allocated for production with suppliers, in the case of UNIQLO.

Source:

- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf>

## Integration into supplier contracts

**12. Does your company integrate its supply chain standards addressing forced labor and human trafficking into supplier contracts?**

*Related to indicator B.1.4.b of the CHRB*

In the business contract with suppliers, we directly refer to clauses related to our CSR standards, particularly stating that all the suppliers shall comply with the corporate Code of Conduct for Production Partners.



Source:

- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf> (*Forced Labor*)

## Cascading standards

**13. Does your company have a process to cascade standards on forced labor down the supply chain (e.g. requiring first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's standards)? Please describe.**

*Related to indicator A.1.2 of the CHRB*

Fast Retailing requires all of our first-tier suppliers to adhere to our Code of Conduct for Production Partners, and to ensure that their own suppliers implement the Code of Conduct for Production Partners.

Source:

- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf> (*Subcontractors and Homeworkers*)

## Recruitment

### Recruitment approach

**14. Please describe your company's recruitment approach, including a) whether your company requires recruitment agencies in its supply chain to uphold workers' rights (this may include aspects such as written contracts, access to passports, and regular payment of wages), b) whether it has a policy on direct employment (i.e. a policy prohibiting suppliers in its supply chain from using recruitment agencies), and c) whether it requires suppliers to disclose to the company the recruiters that they use.**

*Related to indicator D.2.5.b of the CHRB*

In line with our CoC, Fast Retailing monitors any potential forced labor or human trafficking issue (e.g. use of brokers, money withholding before the recruiting, inappropriate contracts) in order to prevent suppliers from engaging in improper practices of recruitment.

Source:

- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf>

### Recruitment fees

**15. Please describe your company's approach to recruitment fees in the supply chain, including whether your company requires that no fees be charged to supply chain workers during recruitment processes, and whether and how your company ensures that fees paid by workers are reimbursed.**

*Related to indicator D.2.5.b of the CHRB*



As outlined in our CoC, workers in our supply chain are required to submit original personal legal documents and no fees or deposits of any kind at any time during the recruitment and employment process should be charged to workers. This condition is ensured through audits.

Source:

- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf>

## **Recruitment audits:**

### **16. Does your company audit recruiters used in its supply chain, to assess risks of forced labor and human trafficking, and/or require suppliers to audit their recruiters?**

*For further information, see Verité – [Fair Hiring Toolkit. Conducting Interviews with Labor Recruiters.](#)*

Fast Retailing audits whether suppliers use recruiters, and in cases where they do, we closely monitor for risks of forced labor or human trafficking.

## **Worker voice**

### **Communication of policies to workers**

#### **17. Please describe how your company communicates its human trafficking and forced labor related policies and standards to workers in its supply chain, and whether your company makes its policies and standards available in the languages of suppliers' workers (including migrant workers).**

*Related to indicator B.1.4.b of the CHRB*

Fast Retailing communicates its human trafficking and forced labor policies to workers in the supply chain through our Code of Conduct for Production Partners, and also ensures that a supplier has its own policy and standard which aligns with our Code of Conduct.

## **Worker voice**

#### **18. Please describe how your company engages with workers in its supply chain on labor related issues and rights outside of the context of the factories/farms in which they work? (whether directly or in partnership with stakeholders).**

[Example available here](#)

*Related to indicator B.1.8 of the CHRB*

Fast Retailing has developed several projects to engage with workers outside the working place. Our UNIQLO brand introduced the Factory Worker Empowerment Project which aims to provide workers with a range of living skills (basic nutrition, hygiene and healthcare and household management). Our goal is to reach more than 30,000 workers by 2018 through the project.

.Source:

- [http://www.fastretailing.com/eng/csr/report/pdf/csr2016\\_e.pdf#page=1&pagemode=thumbs&zoom=80](http://www.fastretailing.com/eng/csr/report/pdf/csr2016_e.pdf#page=1&pagemode=thumbs&zoom=80) (P23)

## Worker empowerment

**19. Please explain how your company encourages its suppliers to ensure workplace environments where workers are able to organize, including through alternative forms of organizing, where there are regulatory constraints on freedom of association.**

*For additional information on worker empowerment, see context in "Responding to Challenges of Freedom of Association" chapter of Ethical Trading Initiative's practical guide on "Freedom of Association in Company Supply Chains", and related company example on page 35*

*Related to indicator D.2.6.b of the CHRB*

Fast Retailing expects all production partners to respect the right of workers to associate, organize, and bargain collectively in a legal and peaceful manner without penalty, interference, or coercion, and in accordance with the laws.

All production partners have an obligation to respect the right of freedom of association and collective bargaining when they formally pledge to follow our Code of Conduct.

Source:

- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf>

## Grievance mechanism

**20. Please describe your company's grievance mechanism, and clearly indicate whether it is available to workers in the supply chain, and how it is communicated to workers in the supply chain. Please also note whether you require your suppliers to establish a grievance mechanism, and to convey the same expectation to their suppliers.**

*Related to indicator C.1 and C.5 of the CHRB*

In the Code of Conduct for Production Partners, we outline a grievance mechanism that allows all workers to confidentially communicate concerns to the production partner's management and the worker representative without risk of retaliation.

For workers all along the supply chain, we ask suppliers to establish a grievance system and to implement the procedure to solve submitted grievances, and the numbers of grievances submitted.

Source:

- <http://www.fastretailing.com/eng/csr/business/pdf/coc.pdf>

## Monitoring

### Auditing process

**21. Please describe your company's supplier auditing process including whether the process includes a) scheduled and non-scheduled visits, b) a review of relevant documents (documents may include wage slips, information on labor recruiters, contracts, etc.)<sup>i</sup>, and c) interviews with workers.**

For further details on document reviews see Verite – [Fair Hiring Toolkit. Conducting a Review of Documentation](#).

Related to indicator B.1.6 of the CHRB

Fast Retailing has developed a system for workplace monitoring at the partners' factories. We work with external auditors to verify the factories are operating in line with the Code of Conduct for Production Partners. Sites that require improvements are provided on-site guidance by the CSR team when appropriate.

The Workplace monitoring framework consists of pre-contract monitoring, regular inspections and a factory grading system. Central to the monitoring process is the regular inspection, audited on-site by an external auditor, both announced and unannounced. Partner-factory inspections include an initial meeting, tours of the factory and facilities, interviews with management, human resources, accounting and line workers. It also includes examination of documentation and random sampling inspections.

The audit ends with a final meeting in which the main findings and feedback for improvements are presented. After the inspection, we grade the factory from A to E. Factories with highly unethical or serious offenses are given E grades and are immediately reviewed. Factories receiving C or D grades are provided guidance for improvement and follow-up evaluations are conducted to verify results.

When serious violations are identified, we send the CSR Department staff members on fact-finding missions and to review the partnership contract. We make our final decision based on these findings while also taking into account the factory's business conditions and the local employment situation. After implementing the review, we will then work with the factory to prevent any recurrence of violations.

Source:

- <http://www.fastretailing.com/eng/csr/business/monitoring.html>

## **Audit disclosure**

**22. Does your company disclose**

**a) the percentage of suppliers audited annually**

**b) the percentage of unannounced audits**

**c) information on who carried out the audits (this may include further information on the expertise of auditors such as relevant certifications, in cases where third-party audits are used, the names of the auditors, and in cases where internal auditors are used, details on department/team/group within which the auditor(s) sits), and**

**d) a summary of findings, including details of any violations revealed?**

**Please provide a URL with the relevant information.**

Related to indicator B.1.6 of the CHRB

Source:

- [http://www.fastretailing.com/eng/csr/report/pdf/csr2016\\_e.pdf#page=1&pagemode=thumbs&zoom=80\(P19-P21\)](http://www.fastretailing.com/eng/csr/report/pdf/csr2016_e.pdf#page=1&pagemode=thumbs&zoom=80(P19-P21))

## Remedy

### Corrective action plans

**23. Does your company have a process for creating corrective action plans when violations are discovered through an auditing process? Please describe this process and the elements of a corrective action plan.**

*Related to indicator B.1.6 of the CHRB*

We provide an improvement period depending on the gravity of the violation operated by the production partner. If the factory receives grade C or D, the CSR team will provide guidance for improvement. Production partners are asked to develop a plan to remedy the issue. Finally, a follow-up audit is arranged to ensure there has been actual improvement at the work place.

Source:

- <http://www.fastretailing.com/eng/csr/business/monitoring.html>

## Remedy

**24. Does your company have a process to provide remedy to workers in its supply chain in cases where violations are discovered, including for responding to instances of forced labor and human trafficking? If yes, please provide examples of outcomes.**

*Related to indicator C.7 of the CHRB*

If we were to find evidence of such a violation in our supply chain, the offending factory would be graded with an E rating, mandating an immediate review of its contract, with a possibility of the termination of business.

Source:

- <http://www.fastretailing.com/eng/csr/business/monitoring.html>
-