



31 May 2021

Beatriz Balbin
Chief
Special Procedures Branch
Office of the High Commissioner for Human Rights
United Nations Office at Geneva

Dear Ms. Balbin,

Re: Joint communication from Special Procedures (REF: AL OTH 161/2021)

Thank you for reaching out to us. We take allegations regarding human rights violations very seriously, and we will try to respond to your queries in an appropriate manner. While there is room for improvement, we believe we are making strong efforts to eliminate human rights violations in our supply chain globally. To facilitate further improvement, we are also hopeful that you may be willing and able to help us by sharing information with us as well.

Please see below for our responses to your questions.

Yours Sincerely,

Sustainability Department
FAST RETAILING CO., LTD.

1. **Please provide any additional information and/or comment(s) you may have on the above-mentioned allegations.**

We would like to say that through our human rights due diligence, we have not seen any evidence of the forced labour and human rights violations alleged in your letter in our supply chains.

2. **Please provide information as to whether your company has undertaken human rights due diligence steps, as set out in the United Nations Guiding Principles on Business and Human Rights, to identify, prevent, mitigate, and account for human rights abuses caused by or contributed to through your own activities, or directly linked to your operations, products or services by your business relationships. This includes the exercise of adequate oversight and human rights due diligence across your supply chains in order to prevent and mitigate impact on the enjoyment of human rights of Uyghur and other minority workers, including their right to freedom of movement and protection from force labour, trafficking in persons and other contemporary forms of slavery.**
3. **Please explain what monitoring and evaluation systems your company has in place to ensure the effectiveness of human rights due diligence steps taken to mitigate and prevent human rights abuses, including forced labour, trafficking in persons other contemporary forms of slavery as described in this letter and other related human rights violations, throughout your business operations. In particular, please provide information on whether your company has put in place “cascading” requirements that reach down to your suppliers, such as human rights risk assessment that would cover all tiers of suppliers as recommended in the 2018 report of the Working Group of the General Assembly.**

Since the content of questions 2 and 3 are similar, we have prepared a single response for these two items.

Regarding Human Rights Due Diligence, and Monitoring and Evaluation thereof

Fast Retailing has a Human Rights Policy in accordance with international standards, including the United Nations Guiding Principles on Business and Human Rights (UNGP), and promotes initiatives to respect human rights. To protect the human rights of people working in, or affected by, our business and supply chain, we have developed, and continually implement, human rights due diligence in accordance with the UNGP.

We also established a Human Rights Committee in 2018 which provides recommendations and supervision to ensure that we fulfill our obligations to respect human rights based on the Human Rights Policy, and that business operations are conducted appropriately.

Please see below for more information about Human Rights initiatives at Fast Retailing.

<https://www.fastretailing.com/eng/about/frway/humanrights.html>

To realise a supply chain that thoroughly respects people's human rights, we have established a compliance protocol to be followed by production partners as part of their production activities within our Code of Conduct for Production Partners (“CoC for Production Partners”) which was established in 2004 in alignment with the core labour standards of the International Labor Organization (“ILO”). We also conduct regular workplace monitoring to verify the state of compliance.

Please see below for the CoC for Production Partners.

https://www.fastretailing.com/eng/sustainability/labor/pdf/coc_en.pdf

We map all garment factories as well as key fabric mills, monitor labour conditions and verify their compliance based on the standards defined in the CoC for Production Partners.

We contract with third-party entities to perform regular audits. When improvements are required based on audit findings, we work with the factory's management to address and resolve the issues identified, and provide support for implementation. We also conduct follow-up audits to verify that factories complete remediation. If a factory committing serious violations fails to resolve them over the remediation process, we take appropriate action. Such actions may include reducing our transaction volume, or ceasing our transactions with, the applicable factory entirely.

In addition, we conduct due diligence at all potential new partners prior to commencing business with them. This process ensures potential partners comply with our CoC for Production Partners. We only do business with those partners confirmed to meet standards for commencing new business relationships.

Please see below for monitoring and evaluation of production partner factories.

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

Regarding “Cascading” Requirements

All production partners must commit to our CoC for Production Partners, which covers human and worker rights. When production partners subcontract work relating to an order from a Fast Retailing group company, the production partner must ensure all subcontractors are compliant with our CoC for Production Partners when carrying out business activities. Additionally, when production partners procure from third parties any raw materials (or other materials) required to manufacture our products, production partners must not conduct business with suppliers whose business activities violate our CoC for Production Partners.

We have continuously made efforts to improve traceability to implement our due diligence throughout our supply chain. Specifically, we have mapped the suppliers of our production partners - material factories and other upstream processes - and assessed their social labour practices. As a result of our assessment, we have not seen any serious human rights violations, including forced labour.

4. Please explain what measures have been adopted to ensure that staff of your company as well as your business partners have adequate awareness, knowledge and tools to identify and report human rights abuses, including those alleged in the present letter, throughout your operations.

All Fast Retailing employees are expected to act in a way that upholds human rights, and the Group's corporate philosophy. The basic principles of behaviour expected of all employees are clearly laid out in the Fast Retailing Group Code of Conduct (“CoC for Employees”). All employees are expected to participate in annual CoC for Employees training, and to sign a declaration to uphold the CoC for Employees once they have achieved an understanding of its contents. Fast Retailing aims to ensure compliance and encourages all employees to aspire to be good members of society, maintaining high ethical standards through their thoughts and actions.

As one of the measures to raise awareness and adherence of the requirements under the COC for Production Partners in our supply chain, we conduct regular training to ensure partner factories

understand the code and the latest international labour standards, etc. We also ensure that all partner factories maintain training programs concerning compliance with the COC for Production Partners to their workers, which is reviewed through our workplace monitoring.

Fast Retailing has also set up a hotline not only for employees, but also hotlines for business partners and people working in key garment factories and fabric mills. We endeavor to provide hotline support in local languages where practicable. When a report is received, the department in charge of the hotline conducts an investigation, and considers remedial measures. Serious matters are brought up to the Human Rights Committee, which discusses remedial measures to be taken and provides recommendations to related departments.

In addition to the above measures, to build fair and mutually-beneficial relations with all our business partners, we established the Fast Retailing Business Partner Operational Guidelines, which set out basic operating principles in ten key areas, including respect for human rights. We ensure our business partners adhere to these guidelines.

5. Please explain what concrete steps have been taken by your company to exercise leverage, in line with the UN Guiding Principles, in your business relationships to prevent and mitigate human rights abuses committed by business employing workers belonging to Uyghur and other minorities.

We do not tolerate forced labour, coercion and harassment, or discrimination. Fast Retailing regularly communicates with our production partners about the workforce in their supply chains to ensure our products are being manufactured in ethical environments. To verify that our partners comply with our CoC for Production Partners, we arrange regular audits carried out by third-party organisations as mentioned above, and install hotlines for workers to contact us directly and anonymously in production countries including China.

In addition, to help manage human rights risks and the alleged human rights abuses in our supply chain, we maintain close dialogue and partnerships with international organisations and groups with deep knowledge and experience of the issues.

6. Please provide information on whether your company has reported any alleged human rights abuses in the present letter to relevant authorities, including in countries where your company is incorporated or domiciled. Moreover, what steps has your company taken, or is considering to take, to avoid potential complicity in such alleged business related human rights abuses?

We can say with a high degree of confidence that none of Fast Retailing's partner factories operate in the manner you describe.

7. Please advise how your company provides for, or cooperates in the remediation of adverse impact on human rights of Uyghur and other minority workers through legitimate processes if it has caused or contributed to such impact. This may include establishing or participating in effective operational-level grievance mechanisms.

Please provide specific information about any procedures in place to ensure participation of workers and their representatives in the establishment and operationalization of such mechanisms.

- 8. Please provide information, if any, on cooperation your company may have had with local civil society actors and/or relevant state authorities to ensure that your company's grievance mechanism are aligned with the national mechanism to address such business related human rights violations.**

Since questions 7 and 8 are both about our grievance mechanisms, we have prepared a single response for these two items.

Remediation of Violations of the CoC for Production Partners

When human rights violations that require remediation are found in audits, we deploy Fast Retailing personnel to visit the factory site in person to assess the cause of the issue, and to help our production partners implement measures for improvement. We also place an emphasis on engaging unions and worker representatives for addressing potential risks in factories' working environments. Our workplace monitoring program therefore includes various protocols to gain the understanding of union structures, and union and worker representatives are invited to the interview process, and we require a follow-up process to verify remediation and preventive measures after critical issues in which unions are affected.

Grievance Mechanisms in Partner Factories

Fast Retailing asks partner factories to establish their own mechanism to address employees' grievances following the United Nations Guiding Principles on Business and Human Rights and our CoC for Production Partners.

Fast Retailing Hotline for Factory Employees

As mentioned in our response to question 4, we also established the Fast Retailing hotline, which provides a channel for employees and organisations representing workers at partner factories and fabric mills to contact us directly and anonymously. We ensure our partner factories communicate to workers of each factory so that they are aware of the Fast Retailing hotline to voice their concerns, without fear of retaliation and prejudicial treatment should they raise a grievance. Workers are able to access the Fast Retailing Hotline in their local languages. Upon being notified of an issue through the hotline, we investigate the grievance to identify the underlying issue and take remedial action. When we identify a human rights violation, we ask the factory to make improvements and corrections in accordance with International Labor Organization Fundamental Conventions, labour laws, and our CoC for Production Partners. We verify that remediation is implemented by the factory through third-party audits or through site visits.

Throughout the course of each hotline case, we protect the privacy of individuals involved, prohibit retaliation, and do not allow discriminatory treatment in any form. Further, we do not prevent affected stakeholders from accessing other remedies and are open to any collaboration that provide remedies. To improve our hotline, we have sought the views of factory workers, and employee representatives, such as union members.

Other Possible Grievance Mechanisms

Where possible, we seek alignment with both state-based and non-state-based grievance mechanisms, managed by industry associations or other multi-stakeholder groups. This may include grievance procedures provided by international non-governmental organisations that we are engaged with for improving our business practices.

Please see below for further details

www.fastretailing.com/eng/sustainability/labor/partner.html