

November 6, 2015

FAST RETAILING CO., LTD.
Midtown Tower, Akasaka 9-7-1, Minato-ku,
Tokyo 107-6231, Japan

Questions and Requests on the Improvement of Working Conditions at Fast Retailing's Contractor and Subcontractor Factories

Human Rights Now

1. Requests on the Disclosure of the Investigation Progress in the Two Factories in China

Human Rights Now, in association with the Hong Kong-based NGOs SACOM¹ and LAC,² released an investigative report in January, 2015, on the working environment at two subcontractor factories in China for your brand UNIQLO. A brief summary is as follows:

- On January 2015, it was announced in the “CSR Action” section of Fast Retailing’s (FR) website that part of the claims made in the investigative report were true, that research was conducted [by FR], and that corrective measures would be taken. It was also announced that dialogues with SACOM would be held.
- On January 2015, the first dialogue among FR, SACOM, LAC and HRN took place.
- On March 2015, the second dialogue was held on issues that were put into consideration in the first dialogue.
- FR is announcing its improvement policies, progress, etc., on its website. (The last update, “CSR Action”, was on July 31, 2015.)
- Our organization has asked for a constructive and continuous dialogue after the second meeting in order to point out areas in which the progress of improvements, as indicated by the announcements on your website, seem insufficient, and to contribute to the improvements. However, your company has not yet responded to our request.

As one of the organizations releasing the investigative report, we consider that we have a duty to monitor the improvement of working conditions in your company’s subcontractor factories and to publicly report on the issue.

Thus, we are sending this open letter on the issues that we think are especially urgent and where the improvement process is unclear according to the information disclosed on your company’s website. We would like to receive your answers **within two months**. Simultaneously, we will be updating the progress of your company’s responses on our website.

(1) Regarding the Names of the Chemical Materials Found in the Investigation in the Factory of Pacific Textiles Ltd. (hereinafter the Pacific Factory) and their Health Measures

A. We ask that you kindly disclose the following information:

- The names of chemical materials used in the Pacific Factory;
- The management of chemical materials used in the Pacific Factory;
- The handling of chemical materials used in the Pacific Factory and measures taken on them.

B. The reason for this request is as follows:

¹ Students & Scholars Against Corporate Misbehaviour

² Labour Action China

According to our investigative report in January, it became clear that chemical materials harmful to human health were used in the Pacific Factory, and we made recommendations to disclose the contents of the chemical materials used and to take adequate health measures. However, your company still has not disclosed what kinds of chemical materials are being used, nor even announced them to the workers in the factories. Access to information on harmful working conditions and its influence on health is necessary to guarantee workers' rights to health. Therefore, we ask you to disclose the contents of the chemical materials used [in the factories] to workers and to the public and to clarify what health measures are being taken with respect to the materials.

(2) Auditing and Progress in the Improvement of Overtime Work

A. We ask that you kindly disclose the following information:

- We kindly inquire whether or not your company has conducted another audit to fully understand the situation regarding working hours since the release of our August 21 statement, which pointed out that no improvements have been seen regarding working hours;
- If your company has investigated the facts of the situation, how was the audit conducted and what were the results;
- We also ask you to take fundamental measures vis-à-vis the long working hours and to publicly disclose the results.

B. The reason for this request is as follows:

At the beginning of October of this year, SACOM conducted a survey interviewing 20 people in the factories of Tomwel Garment Co. (hereinafter the Tomwel Factory) and the Pacific Factory, respectively. It was discovered that a large amount of overtime work was still being practiced, approximately 80 hours a month for the Tomwel Factory and more than 90 hours a month for the Pacific Factory.³

This situation clearly violates Chinese Labor Law.

Our organization already asked for an investigation, pointing out that a large amount of overtime work was still being continued as of August. Based on the results of our latest hearing investigation, we would like to ask you to disclose the results of any investigation, to conduct an investigation if one has not been conducted, and to improve the situation.

(3) The Disclosure of the List of Suppliers

A. We ask that you kindly disclose the following information:

- The list of suppliers who make up your brand's supply chain;
- Progress made on the disclosure of the list of suppliers. (If you are not going to disclose them, please provide the reasons for not doing so.)

³ According to the interviews with 20 workers in the Tomwel Factory, they have overtime work for two hours respectively on Mondays, Wednesdays and Fridays, and three hours respectively on Tuesdays and Thursdays, which makes up 80 hours a month. According to the interviews with 20 workers in the Pacific Factory, the shift requires workers to work from 7:30 in the morning to 7:30 in the evening everyday (with 2.5 hours of overtime work each day), and rest for one day after working for 7 days successively. This adds up to an overtime work-load of more than 90 hours in total.

B. The reason for this request is as follows:

In the statement released in February,⁴ we (HRN and SACOM) requested your company to disclose the list of suppliers in order to establish the transparency of the supply chain and to redress the violations of workers' human rights. The list of suppliers is indispensable in order to investigate whether there are any problems in each factory, as well as to monitor them. However, your company has not responded to this request at all. While global apparel companies such as H & M Hennes & Mauritz AB (H&M)⁵ and Adidas AG (Adidas)⁶ are disclosing their lists of suppliers, it is regrettable that your company has not done so yet.

Please clarify the progress made in considering the disclosure of your list of suppliers. If you should decide not to disclose them, please state your reason(s).

(4) Guarantee of Decent Wages for Living

A. We ask that you kindly disclose the following information:

- Progress made in the consideration or implementation of a decent wage paid according to living expenses.

B. The reason for this request is as follows:

In the statement released in August,⁷ we (HRN and SACOM) asked for a guarantee of decent wages sufficient to meet living expenses.

As to the two factories, the basic wages, both basic payment and piecework wages, remain low and unimproved, and this has been the factor causing workers to engage in illegal and extended overtime work. Without a guarantee of wages that are sufficient for their living expenses, it is impossible to drastically improve the situation of long overtime work.

If the minimum wage is insufficient to guarantee decent wages necessary for living in the region (subsistence wages), we think that wages should be paid based on subsistence wages.

While global companies such as H&M and IKEA are announcing and implementing guarantees of subsistence wages from, it is very regrettable that your company has kept silent on the issue.

Please clarify your current progress in considering this point and also your implementation plans. Furthermore, if you decide not to address the issue of subsistence wages, please provide your reasons.

2. Regarding the Investigation by Your Company into the Subcontractor Factory in Cambodia

Following the investigations of Chinese subcontractor factories in January, we released a statement this April based on an investigation we carried out at a subcontractor factory in Cambodia.

In response to that statement, your company stated that an audit was being conducted using new monitoring techniques, including snap inspections, right after the release of the statement, and it was announced on your website in August this year that an “[i]nvestigation with third party auditor through an unannounced audit and on and off site employee interviews found no evidence of long working hours, such as 24 consecutive hours of work, nor unpaid wages, as mentioned in the report.”⁸

⁴ <http://hrn.or.jp/activity/product/post-318/>

⁵ <http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>

⁶ <http://www.adidas-group.com/en/sustainability/supply-chain/supply-chain-structure/>

⁷ <http://hrn.or.jp/activity/area/csr-action/>

⁸ <http://www.fastretailing.com/jp/csr/news/1508051700.html> (*sic*)

Meanwhile, H&M, which commissioned its production to one of the three factories discussed in this statement, answered that “We have engaged in constructive dialogue with both Zhongyin management and CCAWDU on the concerns raised there recently, and the parties have recently reached an agreement on these issues.” It also answered that the company takes the stance that widely abusing short-term employment contracts actually serves as a detriment to core labor rights throughout the textile industry, and it creates unstable employment, discrimination in its worst cases, and an impediment to the freedom to form labor unions. They acknowledged the detriments to workers’ rights and are taking measures for improvement.

Looking at the differences in responses, it is highly questionable whether your company’s auditing technique implemented vis-à-vis the two Chinese factories, whose conditions have improved according to your company’s latest announcement, was adequate to accurately monitor the actual situation of workers’ rights violations.

(1) Regarding the Improvement of Auditing Techniques

Please provide an analysis on the reasons and investigation results as to why such a significant and an almost antithetical difference occurred between the results of your company’s investigation and the acknowledgements and improvement measures taken by other global brands. Also, please describe any new measures your company is undertaking to correct the situation.

(2) Regarding Participation in the Monitoring Scheme

Additionally, with respect to Cambodia where an inadequacy of auditing is suspected, we recommend that you participate in Better Factory Cambodia, an ILO-led monitoring scheme.

We request that you proceed promptly in considering joining the scheme.

3. Future Correspondence

We would like to receive answers to the requests and questions stated above. Our organization believes it is important that the improvement of working conditions in your company’s supply chain evolves with transparency. Thus, we are considering making regular requests on the proceedings, evaluating their progress, and if the answers or responses are insufficient sending out open letters and requesting actions on your part.

To conclude, we request that you to resume the direct dialogue with our organization in order to develop a constructive dialogue on these issues.

Thank you.