

January 6, 2016

Dear Human Rights Now

Response to “Questions and Requests on the Improvement of Working Conditions at Fast Retailing’s Contractor and Subcontractor Factories”

We appreciate your valuable comments on our CSR actions. We would like to respond to your questions and requests which we received on November 6, 2015.

With the aim to achieve clothing production based on responsible procurement, appropriate working conditions and a safe production process, Fast Retailing considers ensuring human rights and appropriate working conditions in the supply-chain to be of the utmost importance. In addition, based on our recognition that it is essential to go beyond our framework as a corporation and to address these issues in collaboration with the apparel industry as a whole, we continue to take corrective measures, including participating in various initiatives launched by the industry and through collaborations with specialized organizations.

FAST RETAILING CO., LTD.  
Group Senior Vice President (in charge of CSR)  
Yukihiro Nitta

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

(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.

Response:

- We cannot disclose the names of the chemical materials used in the Pacific Factory as it constitutes the factory’s private business. However, we have submitted a list of chemical materials used, in accordance with the law, to the Administration of Work Safety of Nansha District of Guangzhou City, and the Prevention and Treatment

Center for Occupational Disease of Guangdong Province and we have had periodic inspections.

- Regarding the current management of chemical substances by the factory, we have confirmed the following from our site visit.
  - The Pacific factory confirms and keeps a record of the inventory, quantity, and storage conditions of the chemical substances based on characteristics of each chemical substance.
  - The following information is displayed in each production unit: chemical substances used and warnings; such as what kinds of hazardous chemical substances are used on production lines, and the required protection gear. There are also pictures indicating how to wear the protection gear in places where it is required.
  - Before workers are assigned [to production lines], the factory conducts training with them on each hazardous substance and the danger, as well as notes on using protective gear, followed by tests to check the workers' level of understanding.
- Although the factory is taking measures as indicated above, we continue to give guidance to ensure the implementation of these procedures on the ground. We have started discussions with the factory regarding the need to review the contents of the trainings and the issue of how to raise and spread awareness on the production lines. It is expected that the review of the content of training as well as the implementation of a new training system will be completed by the end of February 2016.

## (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.

Response:

Members of our company conducted a site visit as part of our continued monitoring activities and confirmed working hours and other situations on August 26. Confirmation of working hours was carried out by checking records of attendance and by interviewing workers. We achieved a decrease of overtime hours worked compared to the beginning of

January, 2015 by increasing the number of workers, strengthening the management of workers' leave, and increasing the amount of break time granted to each worker. We would like to continue monitoring the implementation status by audits or site visits on a basis of roughly once every three months.

### (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.)

Response:

As we are committed to manufacturing our products through long-term and close partnerships with a comparatively small number of business partners, we consider the private information of our business partners to be confidential. On the other hand, we disclose the information relating to production activities through our CSR reports and website as we recognize it is in the interest of our customers and the employees of our partner factories.

### (4) Guarantee of Decent Wages for Living

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

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

Response:

With an aim to adopt a more objective perspective in addressing the issue of living wage, we are working to make an internal project within FLA's framework. We are in the process of carefully developing a more reasonable methodology and standards to define living wages. We recognize that the issue of living wages is complex, as several organizations have proposed various definitions and methodologies and as the amount [of living wage] should differ depending on each country and region.

## **2. Regarding the Investigation by our Company into the Subcontractor Factory in Cambodia**

### (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.

Response:

Facts stated by your report that our company could not confirm were long working hours, such as 24 consecutive hours of work, and working unpaid overtime. Regarding other issues such as denying renewal of workers' labor contracts, we have confirmed that these issues were brought before the Arbitration Council in Cambodia, and thus we took action that respects the Council's decision. We recognize the existing debate on the issue of short-term employment in the Cambodian textile industry, and we intend to call for partner factories to take actions in the case we confirm a human rights violation.

### (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.

Response:

Recognizing the importance of efforts by the apparel industry as a whole in order to ensure human rights and to maintain appropriate working conditions in production sites, we are participating in various initiatives and collaboration with others in the industry and specialized organizations.

On November 2015, we joined Better Factories Cambodia, which you recommended [in the statement].

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