

Fiscal 2021 Monitoring Result

Since September 2020, we have been transforming our monitoring program from the conventional unannounced audits performed by third-party organizations to a process that enables factories to have ownership to assess and address risks and challenges in the working environment using the assessment tool of the Social and Labor Convergence Program (SLCP), an industry-wide common assessment framework*.

Here we explain the framework of the former monitoring program which was used until fiscal 2021 and report the monitoring result in fiscal 2021

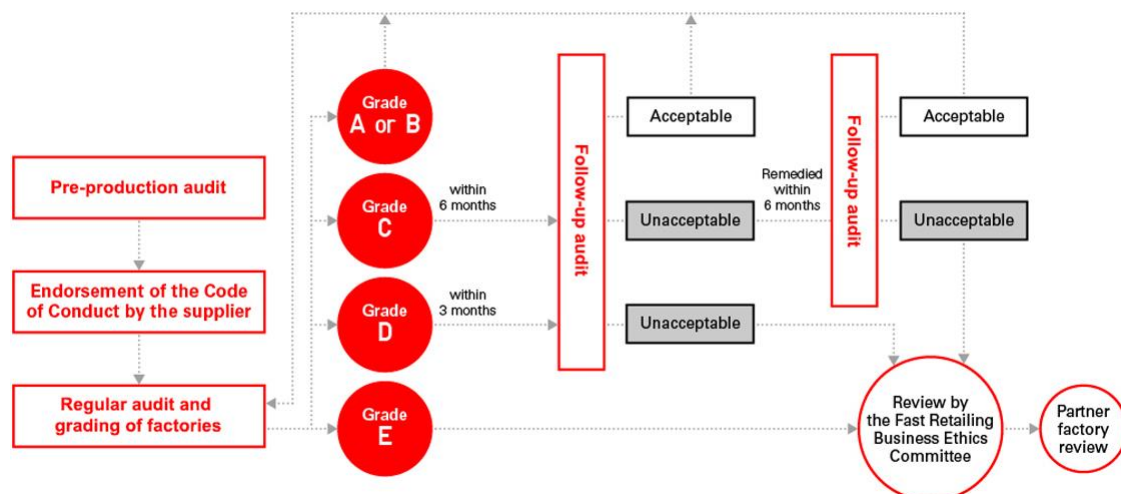
*In fiscal 2021, 75 sewing factories in China conducted self-assessment and third-party onsite verification using the SLCP framework on the Higg FSLM platform. The average Higg FSLM score was 77%.

Workplace Monitoring

■ Partner Factory Monitoring Program

Fast Retailing maps and monitors all sewing factories as well as key fabric mills for human rights abuses, poor labor conditions, environmental preservation practices, and more as per our Code of Conduct for Production Partners. We do this 12 months after the notification date of the previous audit result. We contract with third-party entities to perform regular audits which are mainly unannounced. When improvements are required, at times we send Fast Retailing personnel to visit the site in person, helping our partners to implement measures for improvement.

■ Workplace Monitoring System



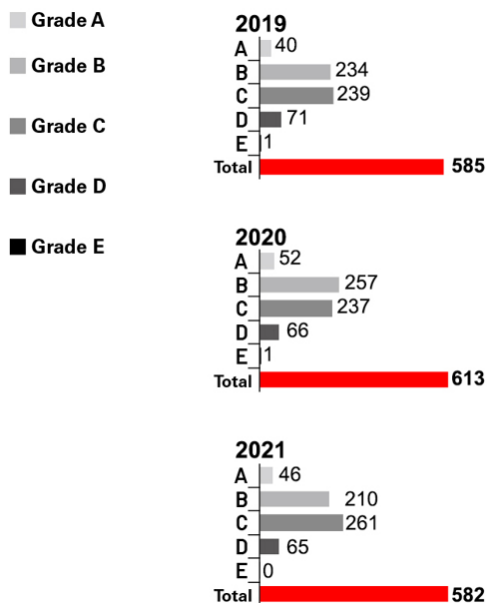
Fast Retailing conducts regular workplace audits, assigning partner factories a letter grade from A to E. We assign a grade of A to partner factories that comply with our Code of Conduct for Production Partners and commit zero notable violations. A partner factory with a B grade is one that has committed relatively low-risk violations. When we believe a partner factory may have committed a violation of human rights or local occupational health and safety laws (e.g. masks, gloves, or other protective equipment not provided to workers as needed), we assign that partner a grade of C. Partner factories assigned a grade of D are those that have committed major violations of human rights, occupational health and safety, or wage and benefit matters (e.g. locked emergency exits, errors in wage calculations). We conduct follow-up audits for partners that have committed C or D grade violations. If violations are not remedied to our satisfaction, we may reduce our business volume with the partner, or even terminate business relations altogether.

We assign a grade of E to those partner factories that are found committing major violations, including child labor, forced labor, or other human rights violations. Significant violations of occupational health and safety also merit a grade of E. When C or D grade violations are not resolved in follow-up audits or E grade violations are found in an annual audit, we escalate these matters to the Fast Retailing Business Ethics Committee, which discusses the potential impact on the financial situation of the partner in question and the risk of workers' dismissal. The committee then determines whether to terminate or modify our business relationship and makes recommendation to the Production department.

Workplace Monitoring Result

Results of Workplace Monitoring

We disclose the year-to-year results of our audits at sewing factories to the public. Compared to fiscal 2020, the ratio of factories evaluated as C increased and there was no factory evaluated as E in fiscal 2021. From fiscal 2021, we began to work on strengthening management systems at factories to prevent issues as well as to address individual issues found in audits. As a result of stricter checks on prevention mechanisms such as occupational health and safety training, occupational disease inspection, and occupational accident management system, the ratio of factories with a C grade increased. Site visits to factories were sometimes restricted due to the COVID-19 pandemic, but we remotely monitored the situation and the improvement status of issues at factories in such cases.



Grade	Description
A	Zero notable violations
B	Relatively low-risk violations
C	Potential violations of human rights or local occupational health and safety laws (e.g. masks, gloves, or other protective equipment not provided to workers as needed)
D	Major violations of human rights, occupational health and safety, or wage and benefit matters (e.g. locked emergency exits, errors in wage calculations)
E	Major violations, including child labor, forced labor, or other human rights violations; significant violations of occupational health and safety

■ Frequent Violations in Fiscal 2021

The most frequent violations of the Code of Conduct for Production Partners found in audits during fiscal 2021 are categorized in the areas of health and safety and working hours. Fast Retailing has required factories which had issues in those areas to establish management systems to prevent recurrence.

Breakdown of Violations Found During Fiscal 2021

