

## **Ryohin Keikaku Group Modern Slavery Statement**

### **fiscal 2019 & fiscal 2020AUG**

This statement is made pursuant to section 54 of the UK Modern Slavery Act 2015. It sets out the steps Ryohin Keikaku Co., Ltd., its subsidiaries, and affiliated companies (collectively known as RK Group) have taken during fiscal year ending 29 February, 2020 (fiscal 2019) and the fiscal year ending August 31, 2020 (fiscal 2020 AUG) with the aim of preventing modern slavery (slavery, servitude and forced or compulsory labour, and human trafficking) in our business and supply chains.

※ With the optional adoption of International Financial Reporting standards (IFRS), and in order to disclose timely and accurate management and further improve management efficiency and transparency, the company aligned the reporting periods within RK Group and amended the end of its fiscal year from the end of February to August 31<sup>st</sup>. As a result, fiscal year 2020 AUG covered a period of six months from March 1, 2020 to August 31, 2020. This statement covers the periods for both fiscal 2019 and fiscal 2020 AUG.

#### **Our Commitment**

RK Group works toward global growth and development through fair and transparent business activities. It strives to ensure that its activities do not cause or contribute to human rights abuses including modern slavery.

#### **Our Business and Supply Chains**

RK Group is a global SPA (Speciality Store Retailer of Private Label Apparel) that manages stores and develops, produces and sells clothing, household goods, foods and other products fundamental to day-to-day life under the name of MUJI. It operates 479 stores in Japan and 550 stores in other 30 countries and regions (as of end of August 2020). RK Group consists of Japan-based headquarters and 27 affiliates engaged in sales and material management. In fiscal 2020 AUG, its consolidated operating revenue was JPY 179.3 billion with a headcount of 17,096 (including 8,050 part-time employees).

For more information about our business, please visit the following link:

<https://ryohin-keikaku.jp/eng/corporate/>

As a producer of wide range of products across three business lines – apparel, household goods, and food – we have an extensive and constantly growing supply chain. RK Group does not own any production plants or production facilities, nor do they manufacture any products. All the products that RK Group handles are produced/manufactured by approximately 250 suppliers (Business Partners) that have approximately 900 subcontracted manufacturers located in around 20 countries and regions including Japan, Mainland China, Vietnam, Thailand, Cambodia and India. About half of the suppliers are located in Japan whereas the rest are mostly in Asia.

#### **Apparel**

Clothing, shoes, bags and other items are planned and designed in Japan and produced both domestically and

overseas. All suppliers for apparel business are located in Asia (including Japan), mainly in Vietnam, Cambodia and Mainland China, with an overseas production ratio of 99%.

### Household Goods

RK Group produces and sells various household goods including but not limited to cosmetics, furniture, stationery, and fabric items. Approximately two-thirds of the cosmetics and stationery products are procured in Japan, whereas fabric items and furniture are procured in Vietnam, Mainland China and India. The production ratio in Japan and overseas is 50:50 for household goods as a whole.

### Food

Over 80% of the confectioneries and drinks are manufactured in Japan, while more than half of the suppliers outside Japan are based in Mainland China. The production ratio in Japan and overseas is 90:10 for food items.

### **Our Policies**

Quest Value, Positive Spiral and Best Partnership are the corporate philosophy of RK Group. These require us to respect human rights and uphold sound working environment of all individuals who work in our supply chain, including not only RK Group associates but also our Business Partners and subcontractors.

RK Group has established a system to promote efforts to prevent modern slavery by adopting the following Ryohin Keikaku Group Compliance Code of Conduct and Code of Conduct for Production Partners of Ryohin Keikaku and by appointing the Executive Officer in charge of the PR & ESG Division to be responsible for promoting sustainability-related initiatives. In addition, RK Group is making every effort to carry out initiatives that conform to international norms and the laws and regulations of each country or region, while receiving advice and support from experts in Business & Human Rights and SDGs/ESGs.

### RK Group Compliance Code of Conduct

The “Ryohin Keikaku Group Compliance Code of Conduct” is prepared to ensure that RK Group associates understand and promote legal compliance, business ethics, and fair trading practices. It clearly states that RK Group applies zero tolerance to any kind of human rights abuses including harassment and discrimination.

<https://ryohin-keikaku.jp/eng/sustainability/governance/compliance/>

### Code of Conduct for Production Partners of Ryohin Keikaku

In 2007, Ryohin Keikaku issued “Code of Conduct for Business Partners: Environment, Labour, and Safety Management” (Code). This Code was driven by the growing expectations for responsible and ethical practices within the supply chain and the expansion of our business outside Japan. In 2015, we updated the Code and additionally established the “Environment, Labour and Safety Standards” (Standards). These are based on the Ten Principles of the UN Global Compact and the Core Labour Standards of ILO.

Other issues related to modern slavery such as the prohibition of forced labour, child labour, harassment, and the respect for freedom of association are included in the above Standards and the Code. By outlining the minimum requirements and aspirational goals, we expect our Business Partners to understand our stance and to improve their own practices.

In July 2020, we updated the Standards and the Code to the “Code of Conduct for Production Partners of Ryohin Keikaku” in order to build good partnerships based on mutual trust and to fulfill our responsibility to give consideration to a fair, safe and sound working environment throughout the supply chain.

[https://ryohin-keikaku.jp/csr/code\\_of\\_conduct/coc\\_2020\\_en.pdf](https://ryohin-keikaku.jp/csr/code_of_conduct/coc_2020_en.pdf)

As a global company, we will keep reviewing and updating the Standards and the Code in order to enhance the measures against modern slavery.

### **■ Due Diligence Process**

RK Group recognizes that risks concerning human rights issues such as slavery and human trafficking may exist not only in our business but also in the supply chain. To prevent and remediate human rights abuses in the supply chain, we have implemented the following due diligence process.

#### **• Contractual Arrangement**

Based on the “Code of Conduct for Production Partners of Ryohin Keikaku”, RK Group shares the policies related to the working environment, respect for human rights and environmental consideration throughout the supply chain with all business partners and partner factories as production partners, and it does business only the production partners that pledge to comply with such Code of Conduct in order to protect the work environment and human rights in the offices and the factories.

[https://ryohin-keikaku.jp/csr/code\\_of\\_conduct/coc\\_2020\\_en.pdf](https://ryohin-keikaku.jp/csr/code_of_conduct/coc_2020_en.pdf)

#### **• Onsite Audit**

In order to confirm whether business partners and partner factories as production partners are complied with the “Code of Conduct for Production Partners of Ryohin Keikaku”, RK Group has commissioned a specialized independent organization to conduct onsite audits. Besides checking on-site conditions and reviewing documents and records, these audits also include interviews with managers and employees in order to understand the actual conditions of the workplace in a multifaceted manner and identify issues.

In cases that any non-compliance is detected, we require our business partner and partner factories to take immediate remedial actions. With regard to the implementation of such remedial actions, we request them to establish an effective program to solve the issues. Further, we carry out continuous monitoring, such as asking for the submission of evidence where the remedial actions are taken. In the unlikely event that our business partners or partner factories are proved to contribute to serious human rights abuse such as forced labor, and the situation cannot be improved even if we exercise our leverage, we will take careful and appropriate measures in accordance with our “Code of Conduct for Production Partners of Ryohin Keikaku”, including considering the cease of business relationship with such business partner or partner factory as an option.

Auditing priorities were decided with reference to the modern slavery risks reported by auditing organizations and NGOs. Onsite audits were conducted in 76 factories in fiscal year 2019 and 23 factories in fiscal year 2020 AUG. No factory was found to have serious human rights infringement issues that would make it necessary to a review the business relationship with them.

#### •Grievance Mechanism

RK Group also places importance on remedial actions in the event of any non-compliance. To quickly detect concerns and problems and provide remedies, we launched a hotline for anonymous report that is not only available to our own employees but also to our business partners. We also share a business manners questionnaire with our business partners to regularly check out the compliance status of our own employees.

#### •Partnership with External Organizations

Since 2016, the company has been participating in the Better Work Programme, a joint program of the International Labour Organization (ILO) and the International Finance Corporation (IFC) in order to enhance the initiatives in the apparel factories, and we set it an obligation for all the apparel factories that we do business with to join the Better Work Programme. We regularly monitor the status of compliance with labor standards, and wherever compliance is inadequate, we will work to solve the issues by utilizing services that provide expert advice or relevant trainings in order to improve the working environment in our partner factories.

Furthermore, we have been enhancing welfare and providing vocational training to suppliers in regions where the rate of labor outflow as illegal immigrants to other countries is high for economic reasons. Through these measures, we have been conducting transactions at fair prices in consideration of the lives of workers and at the same time improving the working environment.

In addition, in order to learn the latest trends related to modern slavery and other companies' advanced initiatives, communicate with stakeholders such as NGO/NPO and facilitate our own initiatives, we participated in programmes such as the 2020 Japan Stakeholder Engagement Program (SHE) held by Caux Round Table (CRT) Japan and the Working Group on Human Rights Due Diligence held by the Global Compact Network Japan.

#### ■Assessing and Managing Risks

RK Group recognizes the need to prevent risks of modern slavery in the supply chain, including the upstream where raw materials are procured, and implements due diligence accordingly.

Ryohin Keikaku sources cotton, one of the main materials for its apparel products, from many places around the world including India, Turkey, the United States, and China. all cotton and yarn used by MUJI have obtained international organic certification confirmed by a third-party organization. This certification ensures the compliance with labor conditions stipulated by the International Labour Organization (ILO).

For other major primary raw materials (wool, down, linen, and wood), we would use those materials that can be traced back to the production area as much as possible, and above all, our product development team

would actually visit the production areas to check with our own eyes the conditions of collection/cultivation sites of major raw materials and the lives of producers.

What is more, regarding the regions reported by media/NGOs as having a high level of risk in modern slavery, RK Group has conducted enhanced due diligence not only against primary suppliers but also against the producers of raw materials. In line with the guidance issued by international organizations and governments, we commissioned an independent audit organization to conduct onsite audits. The results confirmed that at this point, there is no significant problem identified except for those issues that can be corrected by farms or ginning factories taking actions on their own to make improvements. Going forward, in order to prevent human rights abuses in the supply chain, RK Group will engage with other companies in our supply chain to further improve their working environment, and will continue to carefully gather information and appropriately implement due diligence and any other measures.

### **■ Training**

Concerning the management system, the PR & ESG Division serves as a contact point for handling human rights related issues, and in collaboration with all relevant departments within the company, we are working to raise the awareness for each individual employee. We have been holding training sessions for managers and staff who are in charge of procurement, production management, product planning, and quality control that are related to the supply chain in order to raise their awareness of the importance of human rights and environmental issues in the supply chain. During this reporting period of this statement, approximately 100 employees participated in the training, and approximately 300 business partners participated in the briefing sessions that we held to explain the “Code of Conduct for Production Partners of Ryohin Keikaku”. In addition, we give guidance to employees who actually communicate with factory managers in order to provide detailed instructions for improvement on individual cases.

### **■ Initiatives in the Supply Chain Concerning COVID-19 Pandemic**

Due to the impact of COVID-19 pandemic since February 2020, many MUJI stores both in and outside Japan had to shorten business hours or to close temporarily. However, we considered it our responsibility to mitigate the impact on our stakeholders in the supply chain, and have committed to making payment to our manufacturing partners for complete orders and orders that production has commenced, based on the payment condition agreed in advance. At the same time, we are committed to using materials or trims already purchased by our partners to fulfil our orders, or will pay compensation should they later become unnecessary. Meanwhile, we continued our joint product development programme in the Kyrgyz Republic together with Japan International Cooperation Agency (JICA). This served as a source of income for producer’s everyday life and helped prevent economic difficulties due to the COVID-19 pandemic. This project has been certified as a BCtA initiative hosted by the United Nations Development Program (UNDP).

By fully communicating with our manufacturing partners, we are making every effort to confirm the current situation, and we will continue our efforts to maintain good partnership in the future.

### **Further Steps**

RK Group provides products and services which take into consideration both the consumer and the manufacturer so as to spread our vision of a simple, pleasant life to the world. In order to do so, it is important to always make sure that human rights violations, including slavery and human trafficking, do not occur in any part of our business.

From fiscal year 2021, we have been receiving advices from experts in Business and Human Rights and SDGs/ESG for promoting our Business & Human Rights initiatives and SDGs/ESG initiatives including the due diligence practice.

Learning from the past experience, RK Group will keep improving the efficiency of approach to the prevention of human rights violations and modern slavery throughout the value chain. Some of the priorities are, for example:

- ✓ Monitoring of existing suppliers
- ✓ Practical remedial actions

Going forward, RK Group will continue to monitor its supply chain to ensure that all business partners comply with the Code of Conduct for Production Partners when doing business with Ryohin Keikaku.

We will also further consider the methods to effectively exercise our leverage over our supply chain, and strengthen the due diligence process in order to prevent and remedy all forms of human rights abuses such as forced labor and human trafficking.

This statement has been approved by the Board of Directors of Ryohin Keikaku Co., Ltd. on 24th February, 2021.



Satoru Matsuzaki  
President and Representative Director  
Ryohin Keikaku Co.,Ltd.

24th February, 2021