

## Ryohin Keikaku

### Factory Monitoring Results FY2024

#### ■ Monitoring of the working conditions

Ryohin Keikaku does not own any production plants or production facilities, nor do we manufacture any products. All product manufacturing is subcontracted to factories in Japan and other various countries and regions.

Based on reports from international organizations and NGOs, as well as our past experiences, we recognize the high level of human rights risks in our supply chain and are committed to engage with factories to prevent and mitigate negative human rights impacts. As part of our engagement with factories, we conduct regular on-site audits by a third-party organization, based on our "Code of Conduct for Production Partners," covering aspects such as human rights violations, labour conditions, and environmental impact.

#### ■ Audit items

Ryohin Keikaku, in collaboration with a third-party auditing organization, has established its own audit items based on the "Code of Conduct for Production Partners" and various ILO conventions.

Classification of audit items:

Child labour and young workers, forced labour, terms of employment, health and safety (fire safety, building safety, machinery safety, electrical safety, chemical management, occupational health and safety, personal protective equipment, workplace accidents, first aid, dormitories and canteens), freedom of association, discrimination, disciplinary actions, working hours, wages and compensation, monitoring and compliance, corporate ethics (anti-bribery, management systems), procurement management, environmental management

#### ■ Risk assessment

Ryohin Keikaku rates factories on a five-point scale from A to E, based on the severity and number of findings in the audit results, as an indicator of human rights and environmental risk at the factories.

Rating	Description
A	No issue identified
B	Relatively low-risk issues are identified
C	Issues of occupational health and safety, wage and benefit, working hours, contract are identified
D	Multiple issues of occupational health and safety, wage and benefit, working hours, contract are identified
E	Significant findings are identified that raise suspicions of high risk

### <Contents of E-rating>

A factory is given an E-rate (significant findings are identified that raise suspicions of high risk) if it meets any of the following criteria:

- Findings suggesting child labour or forced labour<sup>\*1</sup> are confirmed, and multiple significant findings in audit items other than child labour and forced labour<sup>\*2</sup> are also confirmed.
- Significant findings suggesting child labour or forced labour<sup>\*3</sup> are confirmed.
- Instances of child labour or forced labour are confirmed.

#### **\*1 Examples of findings suggesting child labour or forced labour:**

- Lack of a written policy prohibiting and correcting child labour.
- Lack of a written policy prohibiting forced labour.

#### **\*2 Examples of significant findings in audit items other than child labour and forced labour:**

- Employment contracts are not written in a language understandable to employees / Contracts are not properly renewed.
- Health and safety issues such as improper management of evacuation routes and fire-fighting equipment / Inadequate fire drills and training.
- Cases of discrimination or harassment are identified / No whistleblower contact point established, inadequate whistleblower protection and fair handling of reports.
- Working hours are not accurately recorded / Overtime exceeds legal requirements.
- Payment frequency does not meet legal requirements / Minimum wage is not met.

#### **\*3 Examples of significant findings suggesting child labour or forced labour:**

- Lack of effective procedures to verify employee age at the time of hiring / Improper management of copies of certificates.
- Requiring deposits such as illegal withholding of wages, training fees, employment agency fees, tool fees, and uniform fees in exchange for employment.
- Confiscation of identification documents in exchange for employment.
- Restricting the freedom of movement of employees while they are in dormitories.

### ■ Monitoring results

In FY2024, we conducted on-site audits at a total of 298 factories (241 Tier1 and 57 Tier2 factories). The risk assessment for Tier 1 and Tier 2 is as follows:

Rating	Tier1	Tier2	Total
A	18	1	19
B	144	38	182
C	54	10	64
D	11	2	13
E	14	6	20
<b>Total</b>	<b>241</b>	<b>57</b>	<b>298</b>

We provide feedback to all factories on the identified issues and risk assessment content, requesting improvements from factory management and offering support for these improvements. Specifically, for the 20 factories rated E, we review the continuation of transactions and request improvements from those factories where transactions continue. We agree on improvement plans and recurrence prevention measures with all factories and proceed with confirming improvements. Additionally, for factories rated D and those rated E where transactions continue, we conduct follow-up audits within one year from the audit date to verify the completion of improvements from a third-party perspective. No instances of child labour or forced labour have been identified in the audits conducted so far.

### ■ Main findings and corrective actions

In the audit of FY2024, a significant number of findings were detected in the audit items classified under "Health and Safety" (54% of findings), with a notable number of findings related to "Fire Safety" (12%). Additionally, a considerable number of findings were detected in the audit items classified under "Environmental Management" (10%), "Working Hours" (9%), and "Wages and Compensation" (7%).

#### <Health and Safety>

Many of the findings related to health and safety were in the areas of fire safety, machinery safety, occupational health and safety, and chemical management.

In fire safety, cases were identified where fire drills were not conducted properly, evacuation routes were blocked by objects, and emergency exits were locked. We explained to the factories the risks to human life in the event of a fire or accident, urged corrections, and confirmed the improvement status.

In machinery safety, cases were identified where dangerous parts of machinery were not covered. We instructed the factories to include in their training programs the thorough

installation of covers on dangerous parts of machinery and the correct use of personal protective equipment.

In occupational health and safety, many factories were found not to be conducting risk assessments covering investigation of hazards or toxicity properly. We requested each factory to conduct risk assessments and address the risks, and we are sequentially confirming the results of these assessments and responses.

Specifically, in a sewing factory in India, minor cracks and water infiltration were found on walls near the ceiling of some buildings. Damage was also found on the floor of the dining hall. We requested repairs for the cracks and confirmed the completion of these repairs. Furthermore, in a food factory in Malaysia, mold was found on the walls near the windows of the dormitory, posing a potential health risk to workers. The factory promptly repaired the dormitory roof to fix the water leakage, and we confirmed the resolution of the mold issue.

In chemical management, cases were found where containers of hazardous substances were not labeled in accordance with legal regulations, safety data sheets (SDS) were not written in the local language, double-deck containers were not installed, and emergency eyewash stations were not provided. We explained legal regulations, Ryohin Keikaku's occupational health and safety standards, and best practices to the factories with findings, and instructed them to conduct regular training on the handling of chemicals and dangers in use.

### **<Environmental Management>**

In terms of environmental management findings, cases were identified where simple inspections and record-keeping required by Japan's Act on Rational Use and Appropriate Management of Fluorocarbons were not properly conducted, and where monitoring of emissions such as wastewater, gas, and noise was not carried out in accordance with legal requirements. Additionally, there were instances where industrial waste was not properly segregated, stored, or disposed of, such as the failure to implement industrial waste labeling as stipulated by Japan's Waste Management Law and the failure to submit reports on the issuance of industrial waste management manifests. We have requested improvements from the factories with these findings and are sequentially confirming the completion of improvements through improvement reports and other documentation.

### **<Working Hours>**

Regarding working hours, the main findings were that employees' overtime hours exceeded legal requirements, working hours exceeded 60 hours per week, and employees were unable to take at least one day off in seven days. Excessive working hours increase the risk of health issues and can lead to serious human rights violations. Therefore, we have requested the factories to take prompt action to manage working hours appropriately and are sequentially confirming improvements. Additionally, we are also working on initiatives such as planned

ordering to factories, adjusting production schedules, and supporting the improvement of production efficiency.

### **<Wages and Compensation>**

Regarding wages and compensation, findings were identified where employees were not being paid the minimum wage or overtime premiums in accordance with local laws, and statutory benefits (such as social security, annual paid leave, and maternity leave) were not being properly granted. We have requested the factories to promptly pay wages and other compensations in compliance with local laws and are sequentially confirming improvements. In addition to ensuring minimum wages, we are working towards achieving living wages by first understanding the current wage situation of employees in the supply chain and identifying issues.

### **■ Main findings and corrective actions for E-rated factories**

#### **<Child Labour and Young Workers>**

In a total of four factories (two each in Tier 1 and Tier 2), effective procedures to verify the age at the time of hiring were not confirmed. Specifically, two factories were found not to properly manage employee rosters and copies of identification documents. In another factory, the absence of the HR manager during the audit period resulted in the inability to present certificates, leading to findings. In the remaining factory, although the employment regulations included procedures for verification using identification documents at the time of hiring, there were no procedures for age verification using official documents in the hiring process, leading to findings. We requested improvements from the four factories, and we have confirmed improvements in three of them through follow-up audits by a third-party organization. For the remaining factory, prior confirmation has been completed by Ryohin Keikaku, and a follow-up audit by a third-party organization is planned. No instances of child labour have been identified in the audits conducted so far.

#### **<Forced Labour>**

In two Tier 2 factories in Thailand, it was found that recruitment fees, uniform costs, and health check-up fees, which should be borne by the employer, were being collected from migrant workers. Additionally, in one Tier 2 factory in Thailand, although there was no record of collecting employment-related costs, the procedures for such collection were found to be in place. We requested each factory to refund employees and change their policies and procedures, and we have confirmed improvements such as refund through follow-up audits by a third-party organization. Furthermore, we explained the principle of employer responsibility to all Tier 1 and Tier 2 factories in Thailand and obtained signatures on a pledge stating that employment-related costs would not be collected from employees. No instances of forced labour have been identified in the audits conducted so far.