

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

### **Fiscal 2021**

This statement is made pursuant to section 54 of the UK Modern Slavery Act 2015. It sets out the steps Ryohin Keikaku Co., Ltd. and certain subsidiaries (collectively known as RK Group<sup>1</sup> in this statement) have taken during the fiscal year ending August 31, 2021 (Fiscal 2021) with the aim of preventing modern slavery (slavery, servitude and forced or compulsory labour, and human trafficking) in our business and supply chains.

#### **Our Commitment**

RK Group works toward global growth and development through fair and transparent business activities. We strive to ensure that our 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 brand name of MUJI. We operate 497 stores in Japan and 571 stores in other 31 countries and regions (as of the end of August 2021). RK Group consists of Japan-based headquarters and 27 affiliates engaged in sales and material management. In Fiscal 2021, our consolidated operating revenue was JPY 453.689 billion with a headcount of 18,163 (including 9,281 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 we 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. For the the three categories of apparel, household goods and food in total, about half of the suppliers are located in Japan whereas the rest are mostly in Asia. An overview of the three categories of apparel, household goods and food is as follows.

#### **Apparel**

Clothing, shoes, bags and other items are planned and designed in Japan and produced both domestically and overseas. All suppliers for our 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 our 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 our 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 85:15 for food items.

### Our Policies

RK Group defines our corporate purpose as “to contribute to a ‘Simple, Pleasant Life and Society’ through products, services, stores and activities that take into consideration the ‘ideal relationships among people, nature and goods, and human society that is rich in heart’.” To achieve this corporate purpose, we respect human rights and maintain 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 management 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.

Material 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 our 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 our supply chains as clearly stated in the previous section. 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 that work as our production partners. We do 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 the business partners and partner factories which work as our production partners comply with the “Code of Conduct for Production Partners of Ryohin Keikaku”, RK Group has commissioned a specialized independent third-party 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.

#### •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 reports that is not only available to our own employees but also to our business partners. We also provide a questionnaire survey for our business partners to regularly check out the compliance status (e.g. whether there is any violation of laws and regulations, abuse of authority, or any other inappropriate behavior) of our own employees.

#### •Partnership with External Organizations

Since 2016, we have 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. 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 training 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, we have maintained our membership in Global Compact Network Japan (GCNJ). Through the GCNJ, we have communicated with stakeholders such as NGO/NPOs, and have held discussions and exchanged information with other companies.

#### ■Assessing and Managing Risks

Under the "Code of Conduct for Production Partners," Ryohin Keikaku prohibits outsourcing of production to factories that have not obtained prior approval of Ryohin Keikaku. We conduct pre-audits on subcontractor factories to which we outsource part of the production process, and we oblige them to obtain approval from Ryohin Keikaku. Similarly as our business partners, our subcontractor factories are required to comply with the Code of Conduct, and if any serious violation of the "Code of Conduct for Production Partners" is discovered, they are required to take corrective actions and then undergo and pass another audit.

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. For major primary raw materials (wool, down, linen, and wood), we have used those materials of which the origin and production area can be verified based on objective evidences to the extent possible. Above all, our product development team has actually visited the production areas to check with our own eyes the conditions of

collection/cultivation sites of major raw materials and the lives of producers.

RK Group recognizes the need to prevent risks of modern slavery in the supply chain, including the upstream where raw materials are procured, and implement 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 RK Group has 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 the details about “About MUJI's Cotton and Supply Chain”, please refer to: [https://ryohin-keikaku.jp/eng/news/2021\\_0414\\_e.html](https://ryohin-keikaku.jp/eng/news/2021_0414_e.html)

Going forward, in order to prevent human rights abuses in the supply chain, RK Group will continue to 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 60 employees from Ryohin Keikaku Co. Ltd. participated in the training, and we give guidance to employees who actually communicate with factory managers in order to provide detailed instructions for improvement on individual cases.

#### **■ Key performance indicators to measure effectiveness of steps being taken**

Onsite audits were conducted in 20 factories in Fiscal 2021. No factory was found to have serious human rights abuse issues that would make it necessary for us to reconsider the business relationship with them. A few non-serious issues regarding health & safety and working hours were identified against the items in the "Code of Conduct for Production Partners." The monitoring results of business partner factories and our efforts to prevent and improve the identified issues are reported in the following site:

<https://ryohin-keikaku.jp/eng/sustainability/supply-chain/monitoring/>

#### **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 2021, we have been receiving advice 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 past experience, RK Group will keep improving the efficiency of our 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 February 16, 2022 and other RK Group companies on February 28, 2022<sup>2</sup>.

Nobuo DOMAE

President and Representative Director

Ryohin Keikaku Co.,Ltd.



February 16, 2022

<sup>1</sup> In this statement, “RK Group” refers to Ryohin Keikaku Co., Ltd., MUJI EUROPE HOLDINGS LIMITED, and RYOHIN KEIKAKU EUROPE LTD., .

<sup>2</sup> The signatures of MUJI EUROPE HOLDINGS LIMITED, and RYOHIN KEIKAKU EUROPE LTD., and the names of their signatory directors are available on request from MUJI EUROPE HOLDINGS Limited, Bedford House, 21a John Street, London, England, WC1N 2BF.