

Onward-Approved Factory System

Environmental and social responsibilities are growing in significance for businesses worldwide. Simultaneously, companies must navigate various risks related to issues that could arise in their business operations, including pollution in the countries or regions from which they procure manufactured products and human rights violations at production sites. Against this backdrop, CSR initiatives that consider the entire supply chain are becoming a crucial part of operations, particularly for companies developing their businesses on a global scale. Onward Holdings is aware of this change and is therefore committed to exercising its social responsibilities as a company involved in manufacturing. To facilitate these efforts, Onward Holdings launched the Onward-Approved Factory System in 2015 and has positioned the promotion of CSR procurement as a management policy.



Goal of the Onward-Approved Factory System

The Onward-Approved Factory System was instituted with the goal of developing a manufacturing platform that can continually supply impeccable quality products.

We are well aware of how important safe and appropriate work environments at production sites are to improving employee retention rates and thereby securing manufacturing techniques and ensuring stable product quality.

Through the Onward-Approved Factory System, we encourage partner factories to reinforce their management systems for maintaining ethical working conditions (CSR) and securing necessary quality control (QC). We thereby support factories exhibiting excellence in achieving sustainable growth.

Audit Targets

Audits conducted in accordance with the Onward-Approved Factory System target sewing factories in China and the ASEAN region.

We launched this system in 2015, and 29 overseas factories contracted by Onward Kashiyama were audited by the end of fiscal year 2016.

In the future, the scope of the Onward-Approved Factory System will be extended to overseas joint venture factories, overseas factories contracted through trading companies, and overseas production partners of domestic subsidiaries.

Audits Performed

	Number of factories audited		Number of factories with no compliance findings	
	First audit	Re-audit	CSR	QC
Fiscal year 2016 (Actual)	29	—	8	11
Fiscal year 2017 (Plan)	36	11	—	—

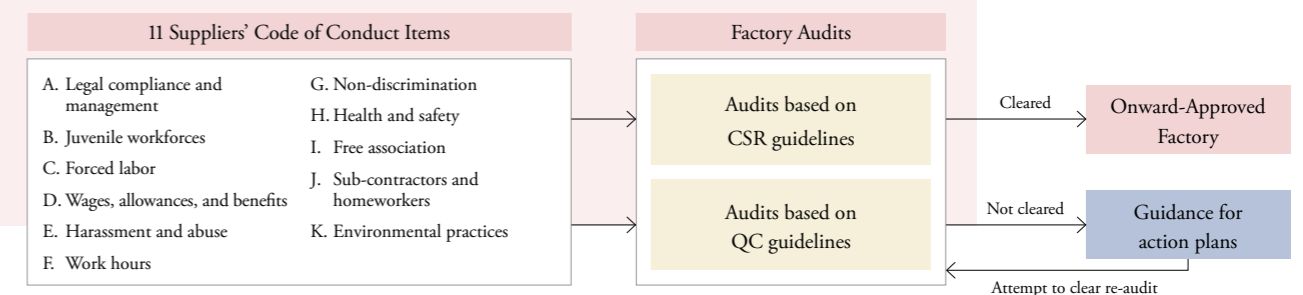
Audit Methods

Audits related to CSR are conducted in accordance with Onward Holdings' proprietary Suppliers' Code of Conduct, which is based on the SA8000 international standard. Actual audits are entrusted to external organizations, but representatives from Onward Holdings are present when audits are conducted. We thereby endeavor to help ensure appropriate auditing based on the current business environment and to develop the understanding necessary for us to exercise our responsibility as the order placer to support factories in carrying out any improvements that need to be made. Audits relating to QC are conducted directly by Onward Holdings' production team.

The results of audits and any compliance findings are compiled into audit reports, and the results of both CSR and QC audits are provided to the factory.

If no compliance findings were discovered through the audit, a certificate of approval is issued that is valid for two years. If improvements are deemed necessary, feedback is supplied with regard to the areas requiring improvements and guidance for action plans is provided by Onward Holdings. The factory is then re-audited after a period of approximately one year.

Audit Procedure



* Audits are conducted every two years, in principle, and the period during which certificates of approval are valid is extended based on the number of audits cleared in the past.

Suppliers' Code of Conduct Items (Created in Japanese, English, and Chinese languages)

A. Legal compliance and management	Business Partners of Onward shall comply with all local laws and regulations. Furthermore, Business Partners shall comply with all legal requirements and respect the legal and moral rights of their employees. At the same time, in order to comply with legal requirements, management systems for maintaining respective documents have to be established.
B. Juvenile workforces	Business Partners of Onward shall not employ minors younger than the local legal minimum working age, or age 15. This code is applicable to all facilities of Business Partners.
C. Forced labor	Business Partners of Onward, in any part of their business, shall not associate with Business Partners who utilize bonded labor or forced labor. Additionally, Onward will not associate with Business Partners who violate the above.
D. Wages, allowances, and benefits	Business Partners of Onward shall comply with all laws and regulations on local wages, hours of work, and allowances. Fundamental policy on wages and allowances shall comply with local laws and standards, while equally satisfying international requirements. Onward will not associate with any Business Partner that violates local laws and regulations or industry common practices.
E. Harassment and abuse	Business Partners of Onward shall not utilize any form of physical or psychological coercion or retribution to workers. Furthermore, Onward will not associate with Business Partners who violate the above.
F. Work hours	Business Partners of Onward shall comply with all legal requirements regarding work hour issues and abide by all local laws.
G. Non-discrimination	Business Partners of Onward shall not discriminate in employment or recruitment on the basis of age, nationality, race, ethnic origin, gender, religion, or any other factor. Business Partners of Onward will not associate with their Business Partners who discriminate.
H. Health and safety	Business Partners of Onward shall provide a safe and healthy work environment for workers. Additionally, they shall ensure not to expose workers to an unsanitary and hazardous workplace environment.
I. Free association	Business Partners of Onward shall guarantee the freedom of unions and workers who wish to join unions in accordance with local requirements.
J. Sub-contractors and homeworkers	Business Partners of Onward shall disclose sub-contractors to Onward.
K. Environmental practices	Business Partners of Onward shall have basic awareness of environmental protection. Business shall be conducted in accordance with local and internationally recognized environmental requirements.

A Message from the Onward-Approved Factory System Representative

As an apparel manufacturer, securing quality factories is a matter of the utmost importance.

Appropriate work environments provide an important foundation that makes it easier to retain highly skilled employees and help increase the number of factories possessing superior manufacturing techniques. To realize true sustainability for production sites and for apparel manufacturers, raising the number of such factories is crucial, and it was this belief that inspired us to introduce the Onward-Approved Factory System. Future initiatives with regard to this system will include examining the possibility for mutual verification of the audits conducted for other brands and by other companies. Through such initiatives, we will continue to reduce the burden placed on factories as we push forward with the construction of a production system that can continually provide customers with products of impeccable quality.



Takashi Yamashita
CSR Procurement Director,
Onward Holdings Co., Ltd.