

Questions for garment brands re Syrian refugees in Turkey

October 2016

Company: Inditex

1. Does your company have a policy specifically prohibiting discrimination & exploitative practices against Syrian refugees? How is this policy communicated to vendors in Turkey?

Inditex realised the necessity to take related measures in 2013 when the influences of Syrian refugees^[1] as a humanitarian crisis started affecting the garment sector. Primarily, the approach of Inditex to Syrian workers without work permits was communicated to all suppliers during a general supplier conference in 2013. It was clearly explained that all producers and suppliers shall be obliged to ensure that all of their employment practices comply with Turkey's applicable laws and Inditex's Code of Conduct, for all workers. It was stressed that a zero tolerance approach is taken regarding exploitation of and discrimination against Syrian refugees. Furthermore, as an Ethical Trade Initiative (ETI) member, and as a member of the Turkey garments working group within the ETI, Inditex contributed actively to the formation of ETI's Position Statement on this issue, which was released in November 2014 and is attached to this document.

The Turkish Government introduced "Temporary Protection Legislation"^[2] in October 2014 which refers to an upcoming legislation which would detail access to the job market and applying for work permits. Yet, due to the unregulated influx of Syrian refugees into the country, Inditex sought out a potential partner, a local NGO, to work together in case

of any observed Syrian refugees in the supply chain. The aim was to create a remediation plan for these workers since they belong to a vulnerable group but are mostly unable to obtain Turkish work permits due to a lack of documentation forcing them to work illegally to make a living. As a result of due diligence, Inditex signed a partnership agreement with the sister organisation of “Association for Solidarity with Asylum Seekers and Migrants”, an authorised partner of UNHCR, Refugee Support Center^[3] (RSC), in January 2015.

Accordingly, Inditex’s agreement, which is unique among brands in Turkey, carries out remediation processes with the expertise of an NGO in the field.

Following the introduction of the new regulation for work permits of the “foreigners under protection” in January 2016, Inditex has adapted its practices and partnership framework with the Refugee Support Centre. Please refer to Question 9.

^[1] Turkish authorities recognise Syrians as “under temporary protection”, not as “refugees”

^[2] <http://www.resmigazete.gov.tr/eskiler/2014/10/20141022-15-1.pdf>

^[3] For more information on Refugee Support Center (Mülteci Destek Merkezi in Turkish): <http://www.mudem.org/>

2. How many first tier Turkish vendors does your company have?

Inditex defines first tier suppliers as the companies who receive orders directly from any of the Inditex's brands. In this sense, during 2015, 183 Turkish suppliers came under this category (See page 145 of the 2015 Inditex Annual Report^[1]).

^[1] <https://www.inditex.com/documents/10279/205236/Inditex+Annual+Report+201...>

3. How many have been audited since in the last year? What percentage of audits have been unannounced?

In 2015 (latest reporting year) 1,114 audits were carried out in Turkey (See page 56 of the 2015 Inditex Annual Report). According to Inditex methodology, all audits are conducted unannounced.

4. Does your company carry out audits beyond the first tier? If so what percentage of second & third tier Turkish suppliers have been audited in the last year and what percentage of these audits have been unannounced?

Inditex does not differentiate between tiers in the application of its compliance programme as per its traceability and sustainability approach. Regardless of the process or tier of the factory, Inditex develops its procedures in order to guarantee compliance with Inditex's Code of Conduct for Manufacturers and Suppliers^[1] (See pages 34 and 35 of the 2015 Inditex Annual Report).

In 2015, 1,114 audits were carried out in Turkey (all tiers and processes). According to Inditex methodology, all audits including follow-ups and surveillance audits are unannounced.

All new factories, including main and non-main processes (including fabric makers) are subjected to a “pre-assessment”, which means that only factories that comply with our Code of Conduct are able to enter Inditex’s supply chain.

[1] http://www.inditex.com/documents/10279/28230/Grupo_INDITEX_codigo-de-con...

5. Do the audit & monitoring teams have Arabic-speakers who have received special training tailored to the situation of Syrian refugees, and do they speak with the workers confidentially?

Since 2013, Inditex has been using social auditing forms in Arabic, Kurdish with Arabic letters, Kurdish-Kourmanji, English and Turkish languages. All auditors; internal and accredited third party auditors are provided with these to utilise during audits in the instances of Syrian refugees. Forms are filled by workers, in their own handwriting in a separate room in full confidentiality, under the supervision of the auditor. On the same day of the audit, forms are shared with the Refugee Support Center (RSC), then RSC professionals (including an Arabic/Kurdish speaking translator) meet with observed workers within 1-2 working days for a detailed investigation into their working conditions (whether there is a discrimination, exploitative practices, or human rights violation), understand their working status and find out possibilities for work permit registration.

6. How does your company address the possibility of undeclared subcontracting in its supply chain?

Inditex has a specific point related to traceability in its Code of Conduct for External Manufacturers and Suppliers which establishes that *“Manufacturers and suppliers shall not assign any work to third parties without the prior written authorization of Inditex. Those who outsource any work shall be responsible for the enforcement of the Code by these third parties and their employees”*.

As a result, all production units (no matter which tier and process) must be declared in an integrated system by all suppliers. This real-time system is accessible by Inditex’s Sustainability teams to ensure continuous monitoring of production traceability in detail. This is also subject to random visits to both the suppliers own premises and to factories. Both internal and accredited third party auditors check production at each factory they go to audit or visit where information gathered on production is compared with the data entered in system. (See pages 40 and 41 of the 2015 Inditex Annual Report).

Also, Inditex’s Committee of Ethics ensures the enforcement of Inditex’s Code of Conduct. To this end, any notices given pursuant to the provisions of this Code, either reports of any breach or enquiries regarding the Code’s interpretation or application can be addressed directly to the Committee of Ethics (See pages 132, 139 and 140 of the 2015 Inditex Annual Report).

In an instance of a proven breach against the traceability policy, Inditex evaluates the situation and a decision is given regarding termination of business with the supplier. This

practice was communicated to all suppliers at the time of its implementation (See pages 50 and 51 of the 2015 Inditex Annual Report).

7. Has your company identified supplier factories employing Syrian refugees in the last year? If the answer is yes please state how many factories, if possible

There is a remediation process established in the Turkish cluster in case this situation occurs (See page 56 of the 2015 Inditex Annual Report).

8. Has your company identified supplier factories employing Syrian child refugees in the last year? If the answer is yes please state how many factories, if possible

See question 7.

9. When Syrian refugees are identified at a supply factory, what process does your company expect the supplier to follow? In particular please state whether they remain in employment.

Should any person without a working permit be observed in a factory, the “Remediation Plan” is developed and carried out. Inditex does not believe in a “cut and run” policy as a way to solve problems or breaches against its Code of Conduct as it would create no added value for the workers involved and would result in the same situation at the factory level. For this reason, the established remediation process includes Inditex’s collaboration with a local NGO; Refugee Support Center (RSC).

The mentioned process establishes that the supplier is responsible for ensuring that all phases of remediation are carried out and for preventing the situation from occurring again. It also states that, on the same day of the audit, RSC must be provided with the

social auditing records filled in by workers. Following this, a first meeting is arranged with workers and referred to the NGO (including Arabic/Kurdish speaking translators) to carry out an investigation into actual working conditions such as remuneration, working hours, health and safety, and lodging (if any) in order to verify if there is any violation of human rights such as involuntary or forced labour or any abuse or discrimination.

The NGO determines the optimum legalisation process (work visa, etc.) for each case as a result of necessary assessments also present in a remediation plan based on worker interviews.

Following the introduction of the new regulation on work permits of the “Foreigners under Temporary Protection” in January 2016, Inditex has adapted its remediation practices and action plan, and extended the partnership framework with RSC. Existing remediation/action plan in which roles of partner RSC, supplier and factory are defined, consists of but is not limited to the below key steps:

- a) Education plan; training on migrant rights and Turkish language course (according to needs analysed by NGO and based on the interviews with refugee workers)
- b) Special assistance/consulting (where deemed necessary according to needs analysed by NGO and based on the interviews with workers)
- c) Registration process to work permit (time for application depends on whether worker has valid documents for registration process such as foreign ID)
- d) Necessary training on Health and Safety, company procedures & policies, etc. shall be provided at factory to refugee workers

e) It must be ensured that if refugees are hired, registered and employed that there is no violation on their rights and in line with the Turkish local law and Inditex Code of Conduct.

f) Maintain communication between refugee and RSC.

Apart from these steps, Inditex was also one of the funders of a booklet published on the rights and responsibilities of refugees, created by the Turkish Ministry of Labour. This useful guidance document has started to be distributed in Turkey and in the supply chain of Inditex. This booklet is available at:

<http://www.fairlabor.org/sites/default/files/documents/reports/april-2016-brosu-birlesik-work-permit-guidelines-turkey.pdf>

10. Does your company have a remediation plan that addresses instances of discrimination/abuse against Syrian refugees in its supply chain? If yes please provide details of the plan, how it is communicated to refugees, and examples of outcomes if available.

Yes, Inditex has a remediation plan that addresses the instances of discrimination/abuse against any refugee in case it happens, which was covered in above point 9. For such cases, a partner NGO has specialists in the areas of psychology, health services and legal advice to provide support and guidance whenever necessary.

11. Does your company work with any local NGOs or trade unions to provide remediation services to refugees?

Yes, Inditex collaborates with a local NGO; Refugee Support Center as explained in detail under question 9.

Inditex recently signed an MoU with the Ethical Trade Initiative on the Turkey Programme which aims to strengthen the Turkish clothing and textile sector's ability to implement the UN Guiding Principles on Business and Human Rights (UNGPs) through the establishment of a local platform, bringing together business, trade unions and civil society that will raise business and human rights awareness, promote workplace social dialogue^[1] and address the root causes of human rights issues in the sector.

^[1] The term 'workplace social dialogue' is typically reserved for discussions between employers and employee representatives within individual establishments or work sites

12. As Syrian refugees cannot receive social security benefits at this time, is your company taking steps to ameliorate the impact of this?

The legal framework is available with the new regulation since January 2016. So refugees are able to be registered to social security while obtaining the work permit. Rights of the refugees including social security must be protected and secured in line the regulation and the booklet created by Turkish Ministry of Labour (see Question 19).

13. Has your company undertaken any specific training with its first tier suppliers on this issue?

As mentioned in question 4, Inditex does not differentiate between tiers in its compliance programme as per its traceability and sustainability approach. Regardless of the process

or tier of the factory, Inditex develops its procedures in order to guarantee compliance with Inditex's Code of Conduct for Manufacturers and Suppliers^[1] (See pages 34 and 35 of the 2015 Inditex Annual Report).

Specifically, there we have held a general conference with the attendance of all Turkish suppliers of Inditex, and one-to-one meetings are held continually with suppliers which are put under related risk category (See page 56 of the 2015 Inditex Annual Report).

[1] http://www.inditex.com/documents/10279/28230/Grupo_INDITEX_codigo-de-con...

14. What steps has your company taken to ensure that your policies/approach are being implemented by suppliers beyond the first tier?

As mentioned in question 4 and above questions, Inditex does not differentiate between tiers in the application of its compliance programme as per its traceability and sustainability approach.

In spite of audits, suppliers also have the responsibility to ensure Inditex's Code of Conduct is continuously implemented at its factories and to regularly check and report about the improvements that take place at each. In addition, regular meetings are also conducted with suppliers (See pages 52, 53 and 56 of the 2015 Inditex Annual Report).

15. Does your company engage with local civil society groups and trade unions on this issue, for instance, in negotiating a policy position & carrying out risk mapping?

Inditex has attended numerous panels in Turkey including a roundtable organised by the Ethical Trade Initiative (ETI) and Fair Labour Association (FLA) on 6 March 2015 with the

attendance of nearly 90 stakeholders; NGOs, trade unions, UN agencies, Turkish Ministry of Labour and brand members of ETI and FLA to come up with concrete steps for different stakeholder groups. Inditex played an active role to invite all brands together with NGOs and other stakeholders in Turkey to develop action plans and a common approach to this huge humanitarian crisis.

Inditex has also worked closely with ETI to work on a strategy with Syrian refugees and Inditex's Turkey Sustainability manager attended an "emergency" meeting on 22 October 2014 regarding the refugee crisis in London with ETI representatives to exchange ideas and to draw up an action plan. Furthermore, Inditex was among the signatories of an official letter that was formed as a concrete result of roundtables and meetings held with stakeholders, sent in October 2015 collaboratively by FLA, Fair Wear Foundation (FWF) and ETI, about "Work Permits of Foreigners under Temporary Protection" to the Turkish Government to seek urgent regulation for resolution on this crisis. Prior to this, Inditex hosted a meeting with the attendance of ETI and several brands representatives on progress.

From January 2014 to December 2015, Inditex has also organised meetings and interacted with key players such as the International Labour Organisation, UNHCR, International Organisation of Migration, Istanbul Ready-Made Garment Exporters' Association and local unions to understand their approach to the issue and to discuss how to ensure fair treatment of Syrian refugees in the supply chain. On 29 January 2015, Inditex's Sustainability team visited the Istanbul Ready-Made Garment Exporters' Association with ETI representative.

The global union IndustriALL has also been part of these discussions as a partner of Inditex through its framework agreement. Inditex and IndustriALL representatives visited the two largest and most important local unions in Turkey in December 2015 to discuss Syrian refugees and to present the official letter that Inditex also signed and sent to Turkish Government.

Despite these efforts, Inditex continues to provide guidance to stakeholders including other brands that consult for help on the remediation process regarding Syrian refugees. A local working group was formed in Turkey between brands. Inditex's Turkish cluster also continues to participate in events regarding Syrian refugees with civil organisations. Inditex's Sustainability manager visited refugee camps in the south region (Kilis) on 21 July 2015, talked with the officials, and visited hospitals that are run by Doctors without Borders whose activities receive funding from Inditex.

16. Does your company work with trade unions on identifying health & safety risks for Syrian refugees (where communication may be difficult)?

Once the prospective regulation on employment practices on Syrian refugees has entered into force, Inditex is going to further collaborate with its partner the Refugee Support Center to provide updated training to suppliers.

In addition, Inditex will continue to develop programmes along with IndustriALL Global Trade Union in line with the commitment expressed in its Global Framework Agreement (See page 26 of the 2015 Inditex Annual Report).

In this sense, Inditex signed in April 2016 a development of its agreement that will enforce collaboration between Inditex and IndustriALL in its cluster, with special attention to Turkey^[1].

^[1]<http://www.industrial-union.org/experts-to-boost-trade-union-rights-in-...>

17. Does your company work with trade unions or other partners to offer training and education programmes for refugees?

As the prospective regulation on employment practices/work permit of refugees has entered into force, Inditex has extended the frame of partnership with Refugee Support Center in order to support training at the factory level to be delivered to refugees on Health & Safety and their rights and responsibilities. Inditex will also continue collaborating with IndustriALL and Ethical Trade Initiative on a wider capacity.

18. Has your company engaged the Turkish Government regarding the legal framework for Syrian refugees?

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and other stakeholders in Turkey to develop action plans and a common approach to this huge humanitarian crisis.

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In addition, between January 2014 and December 2015 Inditex organised meetings and interacted with key players such as International Labour Organisation, UNHCR, International Organisation of Migration, Istanbul Ready-Made Garment Exporters' Association and local unions and to understand their approaches on the same and to discuss how to ensure fair treatment of Syrian refugees in the supply chain. On 29 January 2015, Inditex's Sustainability team visited Istanbul Ready-Made Garment Exporters' Association with ETI representatives.

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19. Please provide any further information regarding your company's activities on this issue which you think are relevant.

Please see attached [ETI's position statement](#) 2014.

Details on Inditex donations and funding: Doctors without Borders and UNHCR

(See www.inditex.com)