



Company Engagement Questions:
KnowTheChain Apparel & Footwear benchmark

Name of company: INDITEX S.A.

Name of respondent: María Morell

Position of respondent: Sustainability Department

Respondent's contact information (email): mariagmca@inditex.com

Note: For companies with vertically integrated supply chains, any reference to 'suppliers' in the following questions includes manufacturing and production sites owned by the company.

Documents

1. Please share links to any policy statements, reports, or other documents that you would like to be taken into account in a review of your company's approach to managing forced labor risks in the supply chain.

Our Annual Report can be downloaded [here](#).

Commitment and governance

Awareness and commitment

2. Has your company made a formal commitment (e.g. adopted a policy) to address human trafficking and forced labor? Please include a link to the commitment.

Related to indicator A.1.2 of the CHRB

Yes. Inditex Code of Conduct for Manufacturers and Suppliers is the bedrock on which Inditex's activity and its relations with all suppliers is based, setting out standards of mandatory compliance on issues of labour rights, health and safety of products and environmental aspects. This Code has a specific clause regarding prohibition of forced labour which states that:

"Inditex shall not allow any form of forced or involuntary labour in their manufacturers and suppliers. They may not require their employees to make any kind of "deposits", nor are they entitled to retain employees' identity documents.

Manufacturers shall acknowledge the right of their employees to leave their employer after reasonable notice."

The Code of Conduct for Manufacturers and Suppliers was launched in February 2001 following approval from the Board of Directors. Its latest update was approved by the Board of Directors in 2012. As its conceptual framework, it sets out the principles of the OECD, the Ethical Trading Initiative Base Code, the principles of the UN Global Compact and, among others, the following conventions of the International Labour Organisation (ILO): 1, 14, 26, 29, 79, 87, 98, 100, 105, 111, 131, 135, 138, 142, 155, 164 and 182.

Inditex applies a zero tolerance policy on slavery, human trafficking and any form of forced labour in its supply chain. The Code specifies that "*aspects related to such limitations will be governed by Conventions 29 and 105 of International Labour Organization (ILO)*".

The Code is of mandatory application for all manufacturers and suppliers of Inditex.

Inditex has always had a strong commitment to protecting human rights in all of its activities and in the impact these activities can have on the Group's stakeholders. In this sense, Inditex has publicly committed to the Guiding Principles on Business and Human rights developing the United Nations "Protect, Respect and Remedy" Framework, informally known as the Ruggie Framework. As an example, Inditex's Strategic Plan for a stable and sustainable supply chain 2014-2018 stems from the Group's conviction that companies have a vital role in promoting and protecting human rights, fundamental labour rights and the standards set by the most relevant institutions on sustainability. With this Plan, Inditex reinforces its commitment to the Ruggie Framework.

Inditex is also a signatory since 2001 of the United Nations Global Compact and commits to respect and promote its ten universally recognized principles which include: (4) the elimination of all forms of forced and compulsory labor and (5) the effective abolition of child labor.

Furthermore, Inditex has made a disclosure under the California Transparency in Supply Chains Act (SB 657) on the company's policy to prevent slavery and human trafficking from its supply chain for the products it commercializes.

Inditex recently further strengthened its commitment to sustainability throughout the supply chain by committing to the UN's Sustainable Development Goals (SDGs) to ensure that the company integrates the 17 objectives into its business model.

The Code of Conduct and Responsible Practices is available at http://www.inditex.com/documents/10279/28230/Grupo_INDITEX_codigo-de-conducta-de-fabricantes-y-proveedores_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdcf4

More information at Inditex Annual Report 2015 pages 26, 36 and 38. Inditex Annual Report 2015 is publicly available at the company's corporate website: http://www.inditex.com/en/investors/investors_relations/annual_report

More information about Inditex's commitment to the Ruggie Framework at: http://www.inditex.com/en/sustainability/suppliers/2014-2018-strategic-plan#panel_1

Also see California Transparency Act Statement in <http://www.inditex.com/en/sustainability/suppliers/transparency-in-supply-chains>;

For more information on Inditex's commitment to the SDGs, please see page 24-25 of Inditex Annual Report 2015.

Supply chain standards

3. Does your company have a supply chain standard that requires suppliers to uphold workers' fundamental rights and freedoms, including the elimination of forced labor? Please include a link to the standard, and provide information on how frequently the standard is updated.

Related to indicator A.1.2 of the CHRB

All suppliers and manufacturers that form part of Inditex supply chain are bound by the Code of Conduct for Manufacturers and Suppliers and must comply with the standards it sets out regarding labour and human rights (including the elimination of forced labour), health and safety of products and the environment.

The Code is designed as a dynamic document, constantly under review for the purpose of incorporating best practices and reinforcing its validity. The latest update was approved by the Board of Directors in 2012, for the purpose of strengthening traceability of the supply chain, the environmental clauses and the mechanism for channeling complaints.

All suppliers and manufacturers that form part of Inditex's supply chain are subject to the provisions of the Code of Conduct. In this sense, evaluation of risks of human trafficking and slavery through the Compliance Programme is part of the company's response to the "assessment of the real and potential impact of [its] activities", presented in the UN Guiding Principles of the Ruggie Framework. Periodic audits, Corrective Action Plans and other tools of the Compliance Programme of Inditex are applied to all suppliers and manufacturers to ensure compliance with the Code.

In 2013, Inditex established its Strategic Plan for a stable and sustainable supply chain 2014-2018 which stems from the Group's conviction that companies have a vital role in promoting and protecting human rights, fundamental labour rights, and the standards set by the most relevant institutions on sustainability. This plan sets out the four main lines of action in responsible management of the supply chain: identification, assessment, optimization and sustainability. It also establishes measurable strategic objectives for 2018 for each of these lines of action.

More information about the Code of Conduct for Manufacturers and Suppliers available at http://www.inditex.com/en/sustainability/suppliers/code_conduct and at Inditex Annual Report 2015 page 36.

More information about the Compliance Programme is available at http://www.inditex.com/en/sustainability/suppliers/compliance_programme and at Inditex Annual Report 2015 pages 62 to 51.

More information about the Strategic Plan for a stable and sustainable supply chain 2014-2018 at <http://www.inditex.com/en/sustainability/suppliers/2014-2018-strategic-plan> and at Inditex's Annual Report 2015 pages 38-39.

More information about the multi-stakeholder initiatives on which Inditex has participated and specific projects developed are at Inditex Annual Report 2015 page 54 and 56-57.

Management

4. Who within your company is responsible for the implementation of your company's supply chain policies and standards relevant to human trafficking and forced labor? Please indicate the committee, team or officer, and describe the scope of their responsibility and how they interact with other internal teams, groups or departments

Related to indicator B.1.1 of the CHRB

Inditex Sustainability department is responsible for the implementation of all supply chain policies and standards, regarding all aspects, including trafficking and forced labour. Felix Poza,

Director of Inditex's Sustainability department, reports directly to the CEO and Chairman of Inditex.

The activities of the Sustainability department are fully integrated with all aspects of the Group since sustainability forms the basis of all the Group's business decisions. For example, Inditex has developed its own Manufacturer Management System which features real time audit results on suppliers. This system is fully integrated between the Sustainability and Purchasing departments meaning that buyers have full visibility on the audit performance of suppliers to support their decision making when placing orders. The system makes it impossible for buyers to place orders through blocked suppliers. In 2015, 12% of suppliers and factories with a desire to enter Inditex's supply chain were rejected after verifying (by means of a pre-assessment audit) that they did not comply with the standards set out in the Code, preventing buyers from making orders (page 44 of Inditex Annual Report 2015).

The company has also established a Committee of Ethics in order to ensure compliance with the Code of Conduct and Responsible Practices and to act as a whistleblowing channel for any compliance breaches (139 and 140 Inditex Annual Report 2015). The Committee is composed of the General Counsel and Code Compliance Officer, who acts as a chairman, the Human Resources Director, the Corporate Sustainability Director and the Internal Audit Director. The Committee of Ethics responds to the Board of Directors through the Audit and Control Committee, reporting on an annual basis as well as whenever is required by the Board.

The Board of Directors has specific duty to ensure compliance with sustainability principles through a specific committee (Audit and Control Committee). This duty is reflected in sections 5.3. (a) (viii) and 5.5 of the Board of Directors Regulations and in sections 12 and 13 of the Audit and Control Committee's Regulations. There is also an advisory body to the Board of Directors in the field of sustainability which is the Social Council (regulated in section 18 of the Board of Directors Regulations). The Council's members are external individuals or institutions independent from the Group.

More information at http://www.inditex.com/en/sustainability/managing_sustainability

More information about the Committee of Ethics at http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices and Inditex Annual Report 2015 pages 139 to 141

Board of Directors Regulations are publicly available at http://www.inditex.com/en/investors/corporate_governance/board_of_directors/regulations

Audit and Control Committee's Regulations are publicly available at <http://www.inditex.com/en/investors/audit-and-control-committee-s-regulations>

Training

5. Does your company conduct training programs for internal decision-makers and suppliers' management teams on risks, policies and standards related to human trafficking and forced labor (this may include training on elements such as passport retention, payment of wages, and vulnerable groups such as migrant workers)? Please describe.

Related to indicator B.1.5 (internal training) and B.1.7 (training of suppliers) of the CHRB

Inditex fully recognizes that training and capacity building for both internal and external teams, as well as suppliers and manufacturers, is vital in order to achieve the sustainability of the supply chain and to ensure compliance with all the standards of the Code of Conduct for

Manufacturer and Suppliers (including all aspects referring to human trafficking and forced labour). In fact, capacity building – which oversees training activities – is one of the general objectives of the Strategic Plan for a stable and sustainable supply chain 2014-2018. The training activities that the sustainability department develops are directed at:

- **Auditors:** Audits are the basis for identifying the conditions employed by each manufacturer and their adherence to the standards established by Inditex. Inditex's sustainability teams carry out regular training activities for new auditors, as well as specific training on various aspects of the Code of Conduct. In 2015, 209 auditors were trained. (More information at Inditex Annual Report 2015 pages 40 and 41)
- **Internal teams:** All new Inditex headquarter employees receive training in sustainability aspects regardless of the area where they belong to. Furthermore, specific training in responsible purchasing practices is given to the purchasing teams in each of the company's brands. In 2015, 799 employees were trained on sustainability aspects. (More information at Inditex Annual Report 2015 pages 47 and 52).
- **Suppliers and manufacturers:** In 2015 substantial resources were invested in providing the appropriate training to the suppliers that require it. In addition to standard training applied globally, training plans are tailored to the specific region and experiences of each supplier. During 2015, a total of 21 training sessions were conducted with groups of suppliers, while 813 individual training sessions were held by the sustainability teams through their specific supplier clusters. A total of 1,300 suppliers received training on sustainability issues in 2015. (More information at Inditex Annual Report 2015 pages 52 and 53).

Also more information available at

http://www.inditex.com/en/sustainability/suppliers/compliance_programme#panel_1

Stakeholder engagement

6. In the last three years, has your company engaged on human trafficking and forced labor, especially as it relates to the supply chain a) with local stakeholders such as NGOs, trade unions or policy makers or b) in multi-stakeholder initiatives? Please describe with whom your company has engaged, the purpose of the engagement and how it relates to forced labor and human trafficking in the supply chain, and your company's role and level of engagement.

Related to indicator A.1.4 of the CHRB

Inditex fully believes in the positive impact of working together with stakeholders to identify the sector's challenges and seek shared solutions. This is beneficial to the industry and the development of the communities within which we are present.

With regards to workers' rights specifically, Inditex firmly believes that the party best able to protect worker rights are the workers themselves. That's why it is essential that workers know their rights, establish fruitful dialogue, and have the collective bargaining mechanisms they need to safeguard those rights. In this sense, worker participation in the supply chain is considered a core principle at Inditex. To establish these mechanisms, Inditex signed a Framework Agreement with IndustriALL Global Union in 2007, which it renewed in 2014 and strengthened in 2016. In 2015 the implementation of the Framework Agreement took the form of specific activities in different countries, some of which focused specifically on preventing human trafficking and forced labour in the supply chain.

With regards to further engagement around this issue, Inditex has been a member of The Ethical Trading Initiative (ETI) since 2007. Since then, the Group has actively participated in

numerous production chain sustainability initiatives, projects and working groups. Furthermore, both the Code of Conduct for Manufacturers and Suppliers and the enacting methodology, Tested to Wear, are articulated around the ETI's Base Code.

Furthermore, in 2015 Inditex participated in the elaboration of the study: "Corporate approaches to addressing modern slavery in the supply chain: A snapshot of current practice", a research into company perspectives and responses to the risks of modern slavery in global supply chains. This study was developed by the Ethical Trading Initiative and the Ashridge Centre for Business and Sustainability at Hult International Business School, in cooperation with different retailers. Its main aim was provide insights into companies' practices to address or mitigate the risks of modern slavery in their supply chains.

Inditex is also a member of the Better Work programme which brings together the expertise of the ILO and International Finance Corporation to drive improvements in labour and working conditions. It is also a member of ILO's SCORE programme to improve working conditions in SMEs.

More information at http://www.inditex.com/en/sustainability/suppliers/code_conduct#panel_1 , http://www.inditex.com/en/sustainability/managing_sustainability/key_partners#partnerId=107302 and at Inditex Annual Report pages 48, 54 and 56.

Traceability and risk assessment

Traceability

7. Please describe your company's supply chain tracing processes.

Does your company publicly disclose a) the names and locations of first-tier suppliers, and b) some information on suppliers beyond the first tier? If yes, please provide a URL.

Related to indicator D.2.3 of the CHRB

Inditex firmly believes that identifying the components of the supply chain is crucial to its responsible management. Production traceability is the first step within the 2014-2018 strategic plan for a sustainable supply chain. Our objective is to have traceability of the supply chain in all its processes and at all tiers with 100% traceability of production by 2018. In this sense, Inditex does not differentiate between tiers. This is publicly available here:

http://static.inditex.com/annual_report_2014/en/our-priorities/traceability-of-the-supply-chain.php

In this respect, Section 10 of Inditex's Code of Conduct for Manufacturers and Suppliers 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."

The application of this Section of the Code of Conduct is vitally important, not only in order to protect human rights but also to ensure the health and safety of products and minimize environmental impact. The traceability of production is a first step towards the implementation of all sustainable management policies and activities throughout the supply chain. Thanks to technological innovation, the training of suppliers and audit quality management, Inditex is able to meet its stakeholders' demands for transparency.

Based on the analysis of information entered into Inditex's Manufacturer Management System by suppliers, traceability audits are able to evaluate production capacity, processes and timeframes, and ensure that all production units are correctly declared and approved. This methodology guarantees that all workers involved in Inditex's production are covered by the

programmes set out in the Code of Conduct designed to protect their rights. In 2015, 2,866 traceability audits were performed.

As part of the Framework Agreement between Inditex and IndustriALL Global Union, Inditex shares the full list of names and locations of its suppliers and factories at all tiers with IndustriALL. This is updated regularly.

In its Annual Report, Inditex also publicly discloses the number of suppliers (1,725 in 2015) and factories (6,298) used, including number of manufacturers of all tiers and all production processes. This data is also broken down into region and audit performance.

More information at Inditex Annual Report 2015 pages 32 to 35 and 40 to 41 and at <http://www.inditex.com/en/sustainability/suppliers/traceability-of-the-supply-chain>

Risk assessment

8. Please describe your companies' risk assessment processes. Please include specific examples of when your company has conducted forced labor risk or impact assessments focused on a particular commodity, region or group (e.g. migrant workers in a specific context), as well as the forced labor risks identified through these risk assessment processes (e.g. high risk commodities or high risk sourcing countries).

For examples of commodities where forced labor risks have been identified - such as cotton from Brazil, silk from Uzbekistan or leather from the Bangladesh - see Verite (2016) – “[Strengthening protections Against Trafficking in Persons in Federal and Corporate Supply Chains Research on Risk in 43 Commodities Worldwide](#)”.

Related to indicator B.2.1 of the CHRB

Risks management at Inditex Group is driven by the Board of Directors and senior management, and is incumbent on each and every single member of the group. It seeks to provide reasonable safety in the achievement of the targets established by the group, ensuring the shareholders, other stakeholders and the market in general, an appropriate level of guarantee which ensures protection of value built.

In this context, the Enterprise Risks Management Policy of the Group sets the overarching principles, key risk factors and the general action lines to manage and control the risks which affect the Group. This Policy is enforced throughout the whole Group.

Specifically regarding risk assessment in the supply chain, Inditex performs an initial risk assessment process in cooperation with its stakeholders by means of a materiality analysis, following the GRI – G4 guidelines and the Integrated Reporting Framework. 2015 was the fifth consecutive year that Inditex adopted this method to analyse and prioritize supply chain risks. The results of this assessment are reflected on a materiality matrix, from which the company is able to identify those issues which need further and deeper assessment.

Among the internal policies or regulations developed and implemented regarding risk management in the supply chain is compliance with Inditex's Code of Conduct for Manufacturers and Suppliers by means of its Compliance Programme.

The Compliance Programme includes the performance of different types of audits (such as pre-assessment, social, special and traceability audits), the implementation of Corrective Action Plans, awareness raising actions and various monitoring programmes.

By means of the social audits, Inditex assesses the potential risks of its suppliers and manufacturers regarding all the standards that the Code of Conduct establishes, including forced labour. The percentage of compliance about prohibition of forced labour is disclosed on page 44 of Inditex Annual Report 2015.

More information about the materiality analysis at pages 27, 160 and 161 of Inditex Annual Report 2015 and at http://www.inditex.com/en/sustainability/managing_sustainability/stakeholder_engagement#panel_2

More information about the Compliance Programme at pages 42 to 51 of Inditex Annual Report 2015 and at http://www.inditex.com/en/sustainability/suppliers/compliance_programme

Purchasing practices

Purchasing practices

9. Does your company make an effort to avoid purchasing practices that increase the risk of human trafficking and forced labor in the supply chain (e.g. short-term contracts, excessive downward pressure on pricing, sudden changes of workload?) Please elaborate.

Related to indicator D.2.2 of the CHRB

Firstly, the activities of the Sustainability department are fully integrated with all aspects of the Group since sustainability forms the basis of all the Group's business decisions. Inditex's Manufacturer Management System which features real time audit results on suppliers is fully integrated between the Sustainability and Purchasing departments meaning that buyers have full visibility on the audit performance of suppliers to support their decision making when placing orders. The system makes it impossible for buyers to place orders through blocked suppliers.

However, Inditex's commitment to sustainability goes beyond supplier assessment, and in this respect internal awareness-raising among purchasing teams is a priority.

Along with the Compliance Programme and strategic selection of suppliers, a responsible approach to purchasing practices is a vital part of achieving a more sustainable supply chain.

Throughout 2015, regular specific training activities have taken place involving sales teams. These activities aimed to raise awareness as to how purchasing decisions can impact on the factories used for production, thereby advancing towards the introduction of a system of specific training on responsible purchasing practices at the corporate level. This kind of session seeks to broaden knowledge on sustainability and the Inditex Code of Conduct for Manufacturers and Suppliers and promote the advantages offered by a sustainable purchasing strategy.

In June 2015, members of Inditex's Sustainability department from across its regional supplier clusters trained 434 Inditex employees across its corporate, buying and product teams. The main objective of these sessions was to disseminate the work of the Group's sustainability teams in the range of countries where they are based. Local teams discussed real examples of projects developed in their regions with attendees.

Meanwhile, during the course of 2015, a total of 12 sessions were held in which 184 new head office employees were trained on issues concerning sustainability. Training and awareness-raising among employees are key to aligning sustainability policies in all business areas, and for that reason all new employees participate in these sessions, regardless of the role they will have within the organization. Apart from the training activities held at central offices, 181 local purchasers were trained at local offices during the same year.

More information at Inditex Annual Report 2015 pages 47 and 52 and at http://www.inditex.com/en/sustainability/suppliers/compliance_programme#panel_1

Supplier selection

10. Does your company assess risks of forced labor at potential suppliers prior to entering into contracts with them (this may include aspects such as passport retention and payment of wages)? Please describe.

Related to indicator B.1.7 of the CHRB

Before the supplier enters the supply chain, an initial assessment is conducted with a pre-assessment audit. The pre-assessment is and consists of a preliminary assessment of potential suppliers and factories in order to verify that there is no latent risk of human rights, including forced labour. These assessments are performed among all potential suppliers and factories by internal and external auditors without prior notice.

In 2015, some 2,703 pre-assessment audits were performed on potential suppliers and factories, of which 88% had a positive outcome. This first filter allows only manufacturers that comply with the standards established in the Code of Conduct to enter the supply chain. From the moment they enter Inditex's supply chain, the suppliers assume responsibility for complying with the Code of Conduct.

More information at Inditex Annual Report 2015 pages 43 and 44 and at http://www.inditex.com/en/sustainability/suppliers/compliance_programme#panel_2

11. How does your company take into consideration the capacity of suppliers to meet fluctuating demands (to reduce the risk of undeclared subcontracting)?

Inditex has a Manufacturer Management System developed internally which supports the Group's business model and is integrated with other corporate tools such as used in logistics and administration. All of the Group's suppliers are obliged to manage their portfolio of orders in conjunction with Inditex using this system. All suppliers are required to register the factories involved in production, allowing Inditex to verify their production capacity.

Based on the analysis of information entered into Inditex's Manufacturer Management System by suppliers, traceability audits are able to evaluate production capacity, processes and timeframes, and ensure that all production units are correctly declared and approved. This methodology guarantees that all workers involved in Inditex's production are covered by the programmes set out in the Code of Conduct, designed to protect their rights. Inditex continually incorporates good practices identified in this area into its methodology in order to improve monitoring and control processes. To this end, Inditex's sustainability team employs engineers specializing in production systems and processes, production planning methods, and so on. In this way, traceability management is enriched by a technical vision that complements the other profiles working on the team, contributing to its multidisciplinary nature.

More information at Inditex Annual Report pages 32 to 35 and 40 to 41 and at <http://www.inditex.com/en/sustainability/suppliers/traceability-of-the-supply-chain>

Integration into supplier contracts

12. Does your company integrate its supply chain standards addressing forced labor and human trafficking into supplier contracts?

Related to indicator B.1.4.b of the CHRB

After being approved by a pre-assessment audit, all suppliers are subject to the Inditex Minimum Requirements document. This document encompasses all the standards that the suppliers and manufacturers must comply with, including the Code of Conduct for Manufacturers and Suppliers, which has a specific clause regarding forced labour and human trafficking.

More information at Inditex Annual Report 2015 page 43

Cascading standards

13. Does your company have a process to cascade standards on forced labor down the supply chain (e.g. requiring first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's standards)? Please describe.

Related to indicator A.1.2 of the CHRB

All Inditex sustainability policies and standards – such as the Code of Conduct for Manufacturers and Suppliers – apply to all suppliers and factories that make up the company's supply chain, irrespective of which tier they are or what process they do. This is why traceability is a cornerstone for Inditex on supply chain management (more information in question 7).

Inditex requires its suppliers to cascade the human rights and labour standards down the supply chain. They are required to set programmes in order to implement the Code of Conduct. In this sense, the Code of Conduct for Manufacturers and Suppliers states on its point 10, "Traceability of production":

Those who outsource any work shall be responsible for the enforcement of the Code by these third parties and their employees. Likewise, manufacturers and suppliers shall apply the principles of this Code to any homeworker involved in their supply chain, and shall give transparency to the locations and working conditions of said homeworkers.

Also on point 14, "Code Implementation", it is stated that:

Manufacturers and suppliers shall implement and maintain programmes to set in motion this Code. They shall appoint a senior member of Management who shall be responsible for the implementation and enforcement of this Code.

Manufacturers and suppliers shall communicate the Code to all employees and those in any way involved in the Inditex Supply Chain.

A copy of the Code, translated into the local language, shall be displayed in accessible locations to all workers.

The Code of Conduct for Manufacturers and Suppliers is available at http://www.inditex.com/en/sustainability/suppliers/code_conduct

Recruitment

Recruitment approach

14. Please describe your company's recruitment approach, including a) whether your company requires recruitment agencies in its supply chain to uphold workers' rights (this may include aspects such as written contracts, access to passports, and regular payment of wages), b) whether it has a policy on direct employment (i.e. a policy prohibiting suppliers in its supply chain from using recruitment agencies), and c) whether it requires suppliers to disclose to the company the recruiters that they use.

Related to indicator D.2.5.b of the CHRB

All suppliers must disclose all companies that they are using, and this includes any possible recruitment agency. The Code of Conduct has to be observed also during the recruitment process.

The Code of Conduct for Manufacturers and Suppliers states that: *Inditex shall not allow any form of forced or involuntary labour in their manufacturers and suppliers. They may not require their employees to make any kind of “deposits”, nor are they entitled to retain employees’ identity documents. (point 1, No forced labour)*

[...]

Manufacturers and suppliers undertake that all the employment formulas they use are part of the applicable local laws. Thus, they shall not impair the rights of workers acknowledged under labour and social security laws and regulations by using schemes that have no real intention to promote regular employment in the framework of regular employment relationships. (SECTION 9 of the Code of Conduct)

The Code of Conduct for Manufacturers and Suppliers is available at http://www.inditex.com/en/sustainability/suppliers/code_conduct

Recruitment fees

15. Please describe your company’s approach to recruitment fees in the supply chain, including whether your company requires that no fees be charged to supply chain workers during recruitment processes, and whether and how your company ensures that fees paid by workers are reimbursed.

Related to indicator D.2.5.b of the CHRB

Inditex does not allow any fees to be charged to supply chain workers during recruitment processes. In this sense, the Code of Conduct for Manufacturers and Suppliers explicitly states that:

Inditex shall not allow any form of forced or involuntary labour in their manufacturers and suppliers. They may not require their employees to make any kind of “deposits”, nor are they entitled to retain employees’ identity documents. (point 1, No forced labour)

Any breach of this principle should be detected in the auditing process and in the dialogue between workers and Inditex’s sustainability teams during their social or traceability audits. The joint work with IndustriALL and the local unions it represents has been key to ensure and promote best practices throughout the supply chain in this regard.

The Code of Conduct for Manufacturers and Suppliers is available at http://www.inditex.com/en/sustainability/suppliers/code_conduct

Recruitment audits:

16. Does your company audit recruiters used in its supply chain, to assess risks of forced labor and human trafficking, and/or require suppliers to audit their recruiters?

For further information, see Verité – [Fair Hiring Toolkit. Conducting Interviews with Labor Recruiters](#).

Inditex Group audits suppliers and manufacturers. It is suppliers’ responsibility to ensure that all the standards of the Code of Conduct for Manufacturers and Suppliers are respected by all the companies used by them, including recruiters whenever they could be used.

In this regard, there are specific initiatives to train suppliers in order to implement best practices. The joint work with IndustriALL through the Framework Agreement is one of the main tools to permanently assess suppliers on best practice and workers' rights.

Worker voice

Communication of policies to workers

17. Please describe how your company communicates its human trafficking and forced labor related policies and standards to workers in its supply chain, and whether your company makes its policies and standards available in the languages of suppliers' workers (including migrant workers).

Related to indicator B.1.4.b of the CHRB

Inditex Code of Conduct for Manufacturers and Suppliers must be posted in all facilities of the supply chain and it must be available in the local languages of the employees. As the Code itself stipulates, suppliers must communicate the Code to all its employees and to other companies of its own supply chain (point 14, "Code implementation"):

Manufacturers and suppliers shall implement and maintain programmes to set in motion this Code. They shall appoint a senior member of Management who shall be responsible for the implementation and enforcement of this Code.

Manufacturers and suppliers shall communicate the Code to all employees and those in any way involved in the Inditex Supply Chain.

A copy of the Code, translated into the local language, shall be displayed in accessible locations to all workers.

Inditex assesses compliance with this point during social audits within its Compliance Programme, checking if the Code is available for employees in their local language and if they know its content.

The Code of Conduct for Manufacturers and Suppliers is available at http://www.inditex.com/en/sustainability/suppliers/code_conduct

Worker voice

18. Please describe how your company engages with workers in its supply chain on labor related issues and rights outside of the context of the factories/farms in which they work? (whether directly or in partnership with stakeholders).

[Example available here](#)

Related to indicator B.1.8 of the CHRB

Worker participation in the supply chain is considered a core principle at Inditex, and this is reflected in the Framework Agreement signed with IndustriALL Global Union in 2007, renewed in 2014 and strengthened in 2016. Inditex shares all information on its supply chain with IndustriALL. This information is updated on a regular basis.

Moreover, Inditex regularly works with IndustriALL representatives, local trade unions and workers with the core objective of establishing and promoting initiatives involving the training and representation of workers in the supply chain. In 2015, the implementation of the

Framework Agreement took the form of specific activities mainly in Portugal, Vietnam, Cambodia, India, Turkey and Bangladesh.

In 2015 the following programmes were carried out:

- Portugal: Programmes in five factories with 514 workers
- India: Programmes in four factories with 9,152 workers
- Turkey: Programmes in six factories with 4,350 workers
- Bangladesh: Programmes in four factories with 3,812 workers
- Vietnam: Programmes in five factories with 13,448 workers
- Cambodia: Programmes in two factories with 1,475 workers

In 2016, Inditex and IndustriALL Global Union have expanded their framework agreement to strengthen the implementation of mature industrial relations within the retail group's supply chain. The new agreement designates union experts within the retail group's supplier clusters in its core garment-producing regions to monitor, supervise and accompany its suppliers worldwide. Furthermore, Inditex and IndustriALL will develop specific frameworks for the group's supplier clusters (Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, Cambodia, China, Brazil and Argentina) according to each region's specific characteristics.

More information about the programmes developed by Inditex in cooperation with IndustriALL at Inditex Annual Report 2015 pages 48-49 and 56-57 and at http://www.inditex.com/en/sustainability/suppliers/code_conduct#panel_1

Worker empowerment

19. Please explain how your company encourages its suppliers to ensure workplace environments where workers are able to organize, including through alternative forms of organizing, where there are regulatory constraints on freedom of association.

[For additional information on worker empowerment, see context in "Responding to Challenges of Freedom of Association" chapter of Ethical Trading Initiative's practical guide on "Freedom of Association in Company Supply Chains", and related company example on page 35](#)

Related to indicator D.2.6.b of the CHRB

Inditex firmly believes that the party best able to protect worker rights are the workers themselves. That's why it is essential that workers know their rights, establish fruitful dialogue, and have the collective bargaining mechanisms they need to safeguard those rights.

The work of trade unions is one of these mechanisms, and collaboration with the international trade union federation IndustriALL and local trade unions by means of the Framework Agreement signed in 2007 is essential to establishing and promoting initiatives to provide information and increase worker autonomy. The last extension of the Agreement, signed in 2016, designates union experts within our supplier clusters to monitor and supervise facilities with the aim of establishing mature industrial relations to promote collective bargaining and worker welfare.

One example of the initiatives to encourage workers organization is the pioneer project initiated in 2015 by Inditex and IndustriALL in Bangladesh. This project aims to guarantee the legitimate participation of workers in work councils in the factories forming part of Inditex's supply chain. Four factories were selected from Inditex's supply chain in Bangladesh to take part in a pilot experience with this objective in mind. During the first phase of the project by means of joint efforts on the part of local and international teams from Inditex and IndustriALL, the processes

used for the constitution of “participation committees”, which are equivalent in Bengali legislation to works councils, was monitored in these factories.

This process covered aspects including the free selection of candidates by workers and the celebration of democratic elections with private, personal and non-transferable vote without discrimination in the exercise of this right.

More information at Inditex Annual Report page 49.

Grievance mechanism

20. Please describe your company's grievance mechanism, and clearly indicate whether it is available to workers in the supply chain, and how it is communicated to workers in the supply chain. Please also note whether you require your suppliers to establish a grievance mechanism, and to convey the same expectation to their suppliers.

Related to indicator C.1 and C.5 of the CHRB

In addition to interviews with employees during the audit process, Inditex has a Committee of Ethics which ensures compliance with the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group.

All employees of Inditex, manufacturers, suppliers or third parties with any direct relationship and lawful business or professional interest, regardless of their tier or geographic or functional location have access to the Committee of Ethics through a Whistle Blowing Channel. They may use this channel to report any breach of Inditex’s conduct and regulatory compliance policies which affect the Group.

Information about the Committee of Ethics is available at the Code of Conduct for Manufacturers and Suppliers so all workers in the supply chain have this information available, as the Code must be posted in all facilities working for Inditex.

The information available at the Code is the following:

This Code is aligned with the principles and values that are included in the Inditex Code of Conduct and Responsible Practices, which regulates a Committee of Ethics and Whistleblowing Channel to ensure its enforcement.

In this sense, and in order to ensure the enforcement of the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics can act at its own initiative or following a formal complaint made in good faith by a manufacturer, supplier or other interested third party that might have any direct relationship or commercial or professional interest with Inditex.

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 via:

- Post: Avenida de la Diputación, Edificio Inditex, 15142 Arteixo, A Coruña (Spain), Att: Committee of Ethics*
- Email: comitedeetica@inditex.com*
- Fax: +34 981 186211.*

More information about the Committee of Ethics and the Whistle Blowing Channel at Inditex Annual Report 2015 pages 140-141 and at http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices

Monitoring

Auditing process

21. Please describe your company's supplier auditing process including whether the process includes a) scheduled and non-scheduled visits, b) a review of relevant documents (documents may include wage slips, information on labor recruiters, contracts, etc.)¹, and c) interviews with workers.

For further details on document reviews see Verite – [Fair Hiring Toolkit. Conducting a Review of Documentation](#).

Related to indicator B.1.6 of the CHRB

By means of its Compliance Programme, Inditex performs the following types of audits to ensure compliance with the Code of Conduct for Manufacturers and Suppliers. All of them include the review of relevant documents such as wage slips, labour contracts, time records, work permits, health and safety documentation, relevant policies of the company, etc. Also, all of them could be performed by internal or external auditors.

- **Pre- assessment audits:** consist of a preliminary evaluation of potential suppliers and factories performed without prior notice. Only those meeting the requirements established by Inditex in its Code of Conduct can enter the supply chain. Pre-assessment audits include informal interviews with workers and document review. These are not announced.
- **Social audits:** to verify the degree of compliance with the Code of Conduct and to establish Corrective Action Plans (CAPs) intended to ensure respect for fundamental labour rights. Social audits can take the form of initial or follow-up audits. Based on the results of the audit, the supplier or manufacturer is assigned a rating depending on its level of compliance with the various sections of the Code of Conduct. Supplier or factory with the highest rating is always subject to an audit at least once every 24 months. Social audits are not announced and include extensive document review. Interviews with workers are an essential part of social audits.
- **Special audits:** involve visits and inspections related to specific issues such as worker health and safety, and competence visits to ensure compliance with the Corrective Action Plans. These audits include, for instance, the inspection of laundry processes to ensure that the sandblasting process, which is prohibited by Inditex, is not in use. These audits are not announced and may include interviews with workers, depending on the specific issue to be reviewed.
- **Traceability audits:** are used to verify the traceability of the supply chain based on the analysis of information gathered via the internal Manufacturer Management System. Traceability audits are not announced and include document review and workers' feedback.

More information about the different types of audits at pages 42 to 45 of Inditex Annual Report 2015 and at http://www.inditex.com/en/sustainability/suppliers/compliance_programme

Audit disclosure

22. Does your company disclose

- a) the percentage of suppliers audited annually
- b) the percentage of unannounced audits
- c) information on who carried out the audits (this may include further information on the

expertise of auditors such as relevant certifications, in cases where third-party audits are used, the names of the auditors, and in cases where internal auditors are used, details on department/team/group within which the auditor(s) sits), and
d) a summary of findings, including details of any violations revealed?

Please provide a URL with the relevant information.

Related to indicator B.1.6 of the CHRB

Inditex publicly discloses on its Annual Report and corporate website:

- a) *Percentage of suppliers audited in 2015: 97%* (page 45 of 2015 Annual Report). Inditex's audit methodology was designed jointly in 2007 by IndustriALL Global Union, the Cambridge Centre for Business and Public Sector Ethics, and Inditex. This methodology is frequently reviewed to include all modifications and experiences amassed. According to this methodology, suppliers are audited with a frequency that varies depending on their degree of compliance with the Code of Conduct, with a maximum of 24 months (http://www.inditex.com/en/sustainability/suppliers/csr_audits)
- b) *Percentage of unannounced audits: 100%* (pages 42 and 43 of the 2015 Annual Report)
- c) Audits are performed by both Inditex's in-house sustainability teams as well as by renowned independent external auditors from different audit companies. These teams are made up of over 700 professionals located all over the world. 75% are performed by external auditors and 25% by internal teams. (page 144 of 2015 Annual Report)
- d) In its Annual Report Inditex publicly discloses a summary of audit findings, for example the compliance level for each of the sections of the Code of Conduct (page 44 of 2015 Annual Report), breaches detected in traceability audits (page 41 of 2015 Annual Report) and number of pre-assessment audits with negative results (page 44), among other relevant KPIs.

Apart from that in its Annual Report, Inditex publicly discloses a number of relevant indicators related with its auditing process, some of them are the following:

- Number of audits performed by type and by geographical area:
 - o Pre- assessment: 2,703
 - o Social: 3,824
 - o Special: 1,584
 - o Traceability: 2,866
- Number of audits carried out internally and externally by type of audit:
 - o Internal: 2,799
 - o External: 8,178
- Percentage of compliance with the Code of Conduct in active factories
- Number of Corrective Action Plans (Project D) carried out
- Number of suppliers rejected due to breaches of the Code of Conduct
- Classification of the active suppliers based on the social audits results

All information regarding audits is disclosed in pages 40 to 51 of Inditex Annual Report 2015 and also at the Sustainability Balance sheet of the Annual Report (pages 144 to 148).

Inditex also shares the detail of its full audit results with IndustriALL on request.

Remedy

Corrective action plans

23. Does your company have a process for creating corrective action plans when violations are discovered through an auditing process? Please describe this process and the elements of a corrective action plan.

Related to indicator B.1.6 of the CHRB

Yes. Following a social audit, Inditex establishes Corrective Action Plans for each factory, regardless of the ranking they have obtained. These plans are monitored by local sustainability teams, who provide support and assistance to suppliers and manufacturers so that they can remedy the breaches detected during the audit, implementing the measures detailed in the plan. In addition to the Inditex teams, the Corrective Action Plans also feature participation by other parties involved, such as factory managers, factory workers, suppliers, NGOs or local and international unions. Workers play a very important role in the plans and their participation is encouraged through the Framework Agreement between Inditex and IndustriALL Global Union.

In the case of breaches of particularly sensitive aspects of the Code of Conduct, such plans come under the name Project D, in which a far stricter monitoring takes place of the corrective measures stipulated, with a maximum duration of six months. Once that period has expired, a new social audit is performed to verify compliance. If a supplier or manufacturer does not manage to fulfil their Corrective Action Plan, relations will be severed, and the manufacturer or supplier in question will no longer be able to form part of Inditex's supply chain.

Inditex considers continual improvement to be a fundamental aspect of achieving a stable and sustainable supply chain; with this in mind, the Corrective Action Plan method is designed to give suppliers and manufacturers the chance to make improvements.

In 2015, a total of 510 Corrective Action Plans were implemented, of which 64% were completed successfully. This percentage represents an increase in the success rates over the previous year (59%), an improvement that can be attributed to the efforts of local sustainability teams and suppliers to ensure the implementation of the improvements proposed.

Description of how a Corrective Action Plan (Project D) is developed in practice:

1. Start:
 - Social audit resulting in a D rating.
 - Notification to the suppliers involved and collaboration with purchasing teams
 - Collaboration with relevant entities
2. Development:
 - Direct monitoring by the sustainability team and ongoing contact.
 - Regular meetings (factory, sustainability team, supplier, purchasing team)
 - Performance of Competence visits (1,124 in 2015)
3. Conclusion:
 - Performance of a follow-up social audit on which the implementation of the corrective measures is verified. Depending on the result, a new ranking is allocated or the factory/supplier is rejected.

More information about Corrective Action Plans at Inditex Annual Report pages 50 and 51 and at http://www.inditex.com/en/sustainability/suppliers/compliance_programme#panel_5

Remedy

24. Does your company have a process to provide remedy to workers in its supply chain in cases where violations are discovered, including for responding to instances of forced labor and human trafficking? If yes, please provide examples of outcomes.

Related to indicator C.7 of the CHRB

Remedy to workers is provided under the framework of the Compliance Programme by means of the development of Corrective Action Plans. Inditex's philosophy is to grow and improve alongside its suppliers, meaning that the audits undertaken are always followed-up on with constructive proposals for remedying any shortfalls detected. These Corrective Action Plans also require the involvement of other parties, such as factory managers and workers, suppliers, NGOs or local and international unions. This joint initiative has a shared objective: to improve working conditions and the working environment of employees in the factories that form part of Inditex's supply chain and provide remedy whenever violations are discovered.

Another example is the programmes developed in cooperation with IndustriALL Global Union within the Framework Agreement signed by Inditex and IndustriALL in 2007, renewed in 2014 and strengthened in 2016. Based on this Agreement Inditex and IndustriALL, in collaboration with local unions, finance a variety of programmes designed to protect human and labour rights throughout Inditex's supply chain. Since its signing, the Agreement has delivered very encouraging results in terms of improving working and social conditions throughout the company's supply chain. In 2015, the implementation of the Framework Agreement took the form of specific activities mainly in Portugal, Vietnam, Cambodia, India, Turkey and Bangladesh.

Furthermore, Inditex has different programmes in place, in cooperation with various international organisations, to provide remedy to workers in its supply chain in case of violation of human or labour rights. Some examples of specific programmes are disclosed in Inditex Annual Report 2015 pages 56 and 57 and at the corporate website http://www.inditex.com/en/sustainability/suppliers/case_studies .

More information about Corrective Action Plans at Inditex Annual Report pages 50 and 51 and at http://www.inditex.com/en/sustainability/suppliers/compliance_programme#panel_5

More information about the Framework Agreement with IndustriALL Global Union and the programmes developed at Inditex Annual Report 2015 pages 48, 49, 56 and 57 and at http://www.inditex.com/en/sustainability/suppliers/code_conduct#panel_1
