

## California Transparency in Supply Chains Act

Oysho (ITX USA, LLC), part of the Inditex Group is fully committed to respecting, promoting and protecting Human Rights within its entire value chain, this being one of the main pillars of our business model.

This Statement, made pursuant to the California Transparency in Supply Chains Act 2010 (SB657), addresses the measures that the Group relies on to prevent and mitigate the risk of modern slavery and human trafficking.

This Statement constitutes “Inditex Group Modern Slavery and Human Trafficking Statement” for the financial year 2018, ended on 31st January 2019, and refers to Industria de Diseño Textil, S.A. (Inditex, S.A.) and its subsidiaries (“Inditex” “the Group” or “Inditex Group”).

Below please find a summary of Inditex’s programs and initiatives. To see the full statement please click [here](#).

For Inditex, it is essential to rely on a socially responsible supply chain where the fundamental Human and Labor rights of each person within it are respected. In this regard, work is based on two main pillars: firstly, the implementation of programs and projects that revolve around workers and their welfare. This is embodied in the [Workers at the Centre programs](#). Secondly, the implementation of the Strategic Plan for a Stable and Sustainable Supply Chain 2014 – 2018, including different measures taken regarding four action lines: identification, assessment, optimization and sustainability, in order to ensure compliance with [Inditex Group’s Code of Conduct for Manufacturers and Suppliers](#).

Based on the experience have accumulated over the five years of the Strategic Plan for a Stable and Sustainable Supply Chain and the lessons learned from the activities forming part of the *Workers at the Centre* strategy, in 2019 Inditex has launched its new strategy for the supply chain “Workers at the Centre 2019-2022”

In 2018, Inditex’s supply chain comprised of 1,866 suppliers in 43 markets, working in 7,253 factories.

### VERIFICATION AND SUPPLIER AUDITS

In order to ensure compliance, Inditex subjects all its suppliers and factories to different procedures and assessments regarding Human and Labor Rights.

The first verification of the level of compliance with the Code of Conduct for Manufacturers and Suppliers occurs even before the supplier has commenced its relationship with Inditex. When a supplier decides to propose a new factory, a preliminary assessment known as pre-assessment is conducted, to verify that there is no risk of violation of Human Rights of its workers. One of the items reviewed is the existence of forced labor. In 2018, Inditex has performed 2,177 pre-assessments, as a result of which 77% of new factories were approved.

Every supplier and factory in Inditex's supply chain is subject to periodic social audits. Such audits are carried out according to Inditex's own methodology, jointly designed with the international federation of the industry, IndustriALL Global Union the Cambridge Centre for Business and Public Sector Ethics and the University of Northumbria (UK).

Social audits are conducted without prior notice by both external and internal auditors. Each audit includes tools allowing to identify any form of forced labor, and verify such issues as retention of documentation, freedom of movement and the termination of the agreement, the use of agents for recruiting staff and their relationship with the workers, including payment of fees, among others. 5,359 social audits were conducted in 2018

Inditex also conducts special audits, which focus on verifying compliance with a certain section of the Code of Conduct for Manufacturers and Suppliers, where a potential breach is detected, for the purposes of preventing, monitoring or remedying any risk. 1,982 special audits were conducted in 2018.

Discovery of a compliance breach triggers the immediate rollout of a corrective action plan that imposes stringent targets and timelines. 417 corrective action plans were implemented in 2018.

Given Inditex's zero tolerance on forced labor and human trafficking, if the breach is not corrected, Inditex will cease its business relationships with the supplier.

More information audits and remediation on: <https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement>

## **INTERNAL ACCOUNTABILITY AND CERTIFICATION**

Inditex applies a zero tolerance policy on slavery, human trafficking and any form of forced labor in its supply chain. This Policy is covered in the Code of Conduct for Manufacturers and Suppliers, implemented in the Group's internal regulations and in its commitments in the area. All the suppliers and factories involved in producing goods that Inditex sells, are expressly required to bound to abide by the values and responsible practices that are central to the group

### **Policies and Internal Regulations**

- **Policy on Human Rights of Inditex Group:** Following the United Nations Guiding Principles on Business and Human Rights, the Policy on Human Rights sets forth Inditex's position with regard to its commitment to respecting internationally recognized Human Rights, and it lays down such values and principles that will serve as a guideline to all its business activities.
- **Code of Conduct and Responsible Practices of Inditex Group:** Inditex Group's Code of Conduct and Responsible Practices is the main policy that inspires and governs all the Group's operations and stipulates the binding principles that apply in each and every area of its activities.
- **Code of Conduct for Manufacturers and Suppliers of Inditex Group:** Upon commencing work for Inditex, all direct suppliers accept and undertake to meet Inditex Minimum

Requirements, which include compliance with the Code of Conduct for Manufacturers and Suppliers, which explicitly prohibits slavery and human trafficking and is complemented by national laws and international standards.

The Code of Conduct for Manufacturers and Suppliers specifies that “aspects related to such limitations will be governed by Conventions 29 and 105 of International Labour Organization (ILO)”.

### **Commitments and Initiatives**

- Commitment to Ten Principles of United Nations Global Compact
- Commitment to the Sustainable Development Goals (SDGs)
- Ethical Trading Initiative (ETI)
- Global Framework Agreement with IndustriALL Global Union
- Collaboration with International Labor Organization’s (ILO) 8.7 Alliance
- Public-Private Partnership with ILO to Promote respect for the fundamental principles and rights in the cotton sector
- ILO’s Better Work Program
- Participation in the Decent Work in Supply Chains Action Platform by United Nations Global Compact
- Accord on Fire and Building Safety in Bangladesh

More information about our commitments and initiatives on <https://www.inditex.com/en/howwedo-business/right-to-wear/human---rights>

### **Human Rights Strategy**

Inditex’s Human Rights strategy relies on three pillars: policy commitment, due diligence and grievance mechanisms. Further to the approval of the Policy on Human Rights in 2016, progress has to implement the strategy.

The Group’s strategy for a sustainable supply chain, is managed through the “2019-2022 Worker at the Centre” strategy. Three priority areas have been identified to further the efforts made to oversee the supply chain regarding forced and involuntary labor: migrants, women, and workers in the supply chain of raw materials.

#### **1. Protection of Migrants**

Inditex does not allow any form of exploitation of the works in its supply chain and pays special attention to working conditions of migrants.

Inditex’s work to protect migrants extends across the entire supply chain. However, each program focuses on the reality inherent in the country in question, as not all migratory flows are the same.

In order to protect migrants and ensure that their human and labor rights are duly respected, the group take action in four areas: (i) prevention, (ii) awareness-raising and training, (iii) remediation, and (iv) integration.

Inditex is a member of Tent Partnership for Refugees and Refugee Working Group, established on the initiative of the different brand members of FLA (Fair Labor Association) in Turkey, which seeks to find joint solutions and establish areas for cooperation to promote appropriate working practices for migrants.

Also in Turkey, the company is involved in the human rights group of the Ethical Trading Initiative, where protection of refugees plays a starring role.

## **2. Women's Empowerment**

The large majority of workers in the global garment supply chains are women.

Based upon SDG 5, that seeks to ensure gender equality and empowerment of women and girls, a [Strategy for the Empowerment of Women in the Supply Chain](#) was approved in 2017, based upon three main pillars: Empowerment, Health and Protection.

## **3. Raw Materials**

Raw materials are a key element in the manufacturing of the finished products that Inditex sells. Cotton, being one of the most used textile fibers globally, represents a challenge in terms of traceability considering the fragmentation and geographical spread of the industry from the spinning process and the subsequent preparation of the fabric, which may give rise to a potential situation of vulnerability of labor rights of the workers involved in the different production processes.

Inditex works with different initiatives aimed at promoting cotton sustainability, including Better Cotton Initiative, Textile Exchange, and Organic Cotton Accelerator. Inditex has also played an active role in initiatives at cotton fields led by Fair Labor Association, to provide information on employment practices and working conditions in the cotton sector in Turkey and to propose actions to address the improvement areas identified. Other partners in this field include IPUD (a local associate of Better Cotton Initiative) and a number of international brands in the sector.

Inditex holds a Public-Private Partnership (PPP) with the International Labour Organization since 2017, aimed at promoting respect for the fundamental principles and rights at work in the cotton sector.

This partnership has allowed Inditex to improve its knowledge of the supervision and control processes required for raw materials from the perspective of traceability, and improvement of working conditions. PPP has helped promote fundamental labor rights in the communities where cotton is sourced in India, Pakistan, China and Mali, through a collaborative approach with different stakeholders both at domestic level, and with the communities themselves.

## **Whistle Blowing Channel**

A Whistle Blowing Channel is available to all Inditex employees, manufacturers, suppliers or third parties with a direct relationship and a lawful business or professional interest, regardless of their tier or their location. This is in place in order to report any breach of Inditex's Codes of Conduct, the internal policies of the Company, or the Policy on Human Rights, by any employee, manufacturer, supplier or third party engaged in an employment, business or direct professional relationship that affects the Group, or send any queries regarding the construction or application of the Codes of Conduct or the Company's internal policies, including the Policy on Human Rights.

More information about effectiveness, the Committee of Ethics and the Whistle Blowing Channel on <https://www.inditex.com/en/how-we-do-business/right-to-wear/human-rights>

## **TRAINING AND AWARENESS**

Inditex provides company employees, who have direct responsibility for supply chain management, training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chains of products.

Training is also provided to suppliers, which can be done either in groups or individually. Individual training is run by internal teams, while group training can be provided either internally or teaming with different reputable organizations.

In 2018, some 1,107 suppliers were trained in groups and 710 individual meetings were held with 405 suppliers.