

INDITEX

**Inditex Group Modern Slavery,
Human Trafficking and
Transparency in Supply Chain
Statement 2020**

Inditex Group is fully committed to respecting, promoting and protecting Human Rights across its entire value chain, and this forms one of the main pillars of its business model. Inditex does not tolerate any form of modern slavery or human trafficking in its organization or in its supply chain and plays an active role in promoting and respecting Human Rights.



This Statement, made pursuant to section 54 of the UK Modern Slavery Act 2015, section 14 of the Australia Modern Slavery Act 2018 (Cth), and the California Transparency in Supply Chains Act 2010 (SB-657), addresses the measures on which the Group relies to prevent, mitigate and remedy the risk of modern slavery and human trafficking. This Statement constitutes “Inditex Group Modern Slavery, Human Trafficking and Transparency in Supply Chain Statement” for financial year 2020 (ended on 31 January 2021), and refers to both Industria de Diseño Textil, S.A. (Inditex, S.A.) and its subsidiaries (the “Inditex” or the “Group”). It was approved by the Board of Directors in the meeting held on 8 June 2021, following a favourable report of the Sustainability Committee and of the Social Advisory Board.

Inditex’s Board of Directors is ultimately responsible for ensuring respect and protection of Human Rights, as an essential instrument for the sustainable development of the Group.

The Group formed a Sustainability Committee in 2019. This consulting and advisory board committee is responsible for advising the Board on matters within its purview, overseeing and monitoring social and environmental sustainability activity, the areas of the health and safety of products that the Group sells, and on relations with stakeholders in the field of sustainability, including matters relating to the implementation of the Group’s Human Rights strategy.

Inditex also relies on a Social Advisory Board, which advises it on sustainability issues, and is composed of external or independent members. The Social Advisory Board plays a key role in the relationship with stakeholders, as it is responsible for formalizing the dialogue with the key representatives of the societies where Inditex conducts its business.

Furthermore, the Committee of Ethics, which reports to the Board of Directors through the Audit and Compliance Committee, is in place to ensure compliance with the Group’s Code of Conduct and Responsible Practices and with the Code of Conduct for Manufacturers and Suppliers. This Committee also manages the Ethics Line, a queries and grievance mechanism that reinforces due diligence by helping to identify and timely address any potential negative impact on Human Rights, thereby strengthening the relationship with stakeholders. Together, the Policy on Human Rights, Due Diligence and the Ethics Line represent the first, second and third pillars of the Group’s Human Rights strategy respectively.

Inditex Group’s Sustainability teams are tasked with managing and coordinating all the Group’s activities aimed at ensuring compliance with the Code of Conduct for Manufacturers and Suppliers throughout the entire supply chain, and developing and implementing programmes that go beyond compliance to contribute to sustainable production environments.

ABOUT US

Inditex is a global fashion, design, distribution and retail company which aims to offer its customers clothing, footwear, accessories and home wear that meet the most demanding design, safety, sustainability and quality standards, at affordable prices. This activity is centred around respect and transparency, ongoing dialogue with stakeholders, and the promotion of Human Rights, with the ultimate aim of generating a positive impact on its customers, society, industry and the environment.

Inditex Group has eight brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Zara Home, Oysho and Uterqüe. Each brand has its own distinct personality, style and design team and directly manage their own integrated store and online sales platform. Inditex is present in more than 200 markets across five continents.

People are central to the business model: both the customers who purchase our products, and those in the business who work tirelessly to meet the needs of our customers. We currently have 144,000 people working for us representing 171 nationalities, who are all working with the utmost commitment to the values that define the Group: enthusiasm, entrepreneurial spirit, non-conformism, innovation, inclusion and humility.

Over time, Inditex has developed a unique business model based on flexibility, integration, sustainability, creativity and innovation.

Inditex is actively present at all stages of the value chain, including design, production, logistics, stores and customers.

Inditex's Code of Conduct and Responsible Practices sets out the values and principles that guide our actions and relationship with our customers, shareholders, partners, suppliers and all the communities where Inditex is present.

Find out more about Inditex Group [here](#).

INDITEX SUPPLY CHAIN

Inditex is committed to managing its supply chain in an environmentally and socially responsible way that guarantees decent working conditions for all workers at our suppliers and manufacturers. Our supply chain is global, organised across 12 clusters, although the majority of manufacturers are close to our design centres in Spain. All of the suppliers and factories in the Group's supply chain are bound to abide by the values and ethical behaviour principles that are central to the Group.

With regards to the social management of the supply chain, we identify working areas that help to improve working conditions and lead to sustainable production environments in each of the Group's supplier markets. This is done by setting and implementing policies aligned with Human Rights and the fundamental labour standards. We also establish monitoring and direct cooperation tools with our suppliers and take part in multilateral dialogue with organizations and institutions in the field.

In 2020, Inditex's supply chain comprised 1,805 direct suppliers¹ who in turn used 8,543² factories for the productions of the Group.

Inditex has put in place concrete tools and monitoring and assessment systems to ensure that none of its suppliers is directly or indirectly involved in any violation of labour rights. But Inditex goes beyond monitoring and assessing, by working on the basis of continuous improvement. We believe that working with suppliers to consistently improve delivers the best outcome for workers, but we also have zero-tolerance towards suppliers that do not make changes when necessary.

As part of this continuous improvement, the Group is committed to working with local and international expert stakeholders to uphold and safeguard labour standards across the entire supply chain.

The traceability of the supply chain is a first and essential step. Inditex strives to identify each and every player involved in the production of goods, to ensure that they all meet the Group's strong sustainability commitments. We do this through the following actions:

1/ All the suppliers must inform Inditex at all times of the factories involved in the productions for the Group, from textile raw material processing through to finishing processes. In 2020, compliance with such procedures has been reviewed and strengthened.

¹ Suppliers of fashion items with a production of over 20,000 units/year in the 2020 Spring/Summer and Fall/Winter campaigns. Suppliers with lower productions account for 0.33% of total production.

² Factories declared by the suppliers in the product traceability system for 2020 orders.

2/ Information is digitalized using an in-house developed "Traceability Management System", which undergoes ongoing development. In 2020, new functions were developed to improve the quality and detail of the information provided in relation to the manufacture of fabrics directly managed by the Group.

3/ The authenticity of the information provided by the suppliers in the management system is verified on-site by means of traceability audits. 1,342 traceability audits were performed in 2020.

Protecting workers in the supply chain from the global challenges resulting from COVID-19

The health emergency has entailed common challenges in the social management of the global textile supply chain. However, the intensity of its impact has differed in each market. For Inditex, promotion and respect for human and labour rights of workers in the supply chain is fundamental. In light of the situation arising due to COVID-19, our focus on the worker has not changed, rather it has been strengthened and consolidated.

RESPONSE TO COVID-19 IN THE SUPPLY CHAIN



Health first



Protecting people



Economic response and recovery



Multilateral collaboration

Inditex has articulated its response to these challenges in the supply chain under four pillars, using as a conceptual reference the UN Framework for the Immediate Socio-Economic Response to COVID-19.

Health first

To support our suppliers and manufacturers and assist them in implementing specific measures geared towards preventing COVID-19 in the workplace.

Protecting people

Endorsement and active role in COVID-19: Action in the Global Garment Industry. This initiative aims to structure an urgent response to COVID-19 economic effects, geared towards the protection of income, health and workers' employment.

Economic response and recovery

We have guaranteed the payment of all orders already placed and in production and collaborated with financial institutions to provide suppliers with access to loans at attractive financial conditions.

Multilateral collaboration

Collaboration with IndustriALL Global Union and ACT on Living Wages, *inter alia*, for structuring collective responses.

Find out more in Inditex Group's 2020 Annual Report (page 80 et seq.).

POLICIES AND COMMITMENTS

Internal responsibility and certification

Inditex applies a zero-tolerance policy on slavery, human trafficking and any form of forced labour in its supply chain.

POLICIES AND INTERNAL REGULATIONS

Policy on Human Rights of Inditex Group

Inditex Group's Policy on Human Rights was approved by the Board of Directors on 12 December 2016, following a favourable report of the Audit and Compliance Committee (formerly, the Audit and Control Committee) and the Social Advisory Board, which represents the Group's stakeholders.

In the framework of the United Nations Guiding Principles on Business and Human Rights, the Policy on Human Rights defines Inditex's stance regarding its commitment to respect internationally recognized Human Rights and sets out the values and principles which guide its activities.

Notwithstanding its commitment to all Human Rights, Inditex has identified those rights more directly related to its value chain, based upon the review of its business model and the expectations of its stakeholders.

Rejection of forced labour is one of the focal points singled out in the Inditex Policy on Human Rights. In this regard, such Policy reads: "Inditex rejects any form of forced or compulsory labour, as defined in ILO Convention 29. This extends both to its own employees and its entire supply chain, as well as to any natural and/or legal person related to Inditex. Inditex joined UN Global Compact in 2001, and adhered to its principle 4, according to which, businesses should uphold the elimination of all forms of forced and compulsory work or work done under coercion."

Compliance with Inditex's Policy on Human Rights is mandatory for the whole Group and it is enforced on third parties associated with Inditex. It has been disclosed to the different departments of the Group and is available to all the employees on the Group's intranet as well as on the corporate website (www.inditex.com). The enforcement of the Policy involves implementing and executing due diligence processes which allow Inditex to assess and, where appropriate, regularly identify current and/or potential impacts in the field of Human Rights. Appropriate measures are also taken to prevent, monitor, mitigate or remedy any potential negative consequences and foster positive impacts throughout the entire supply chain.

The Policy on Human Rights can be found [here](#).

Sustainability Policy of Inditex Group

The Sustainability Policy defines the principles that sustain the relations of the Group with all its stakeholders, favouring the integration of sustainability practices within its business model, on the premise that its business activity is carried out with full respect for people, the environment and the community at large, based upon the commitment the Group has made to respecting Human Rights and to sustainable growth.

The Sustainability Policy was approved by the Board of Directors on 14 December 2020. It results from the merger and update of the former Corporate Social Responsibility Policy and Environmental Sustainability Policy, both of which were approved in 2015, consolidating them into a single policy.

The Policy addresses:

/ The principles which govern the Group's sustainability.

/ Integration of sustainability within the business model and the pillars upon which value is built up.

/ The main stakeholders of the Group and the principles which govern its relations with each of them.

/ The principles that guide disclosure of sustainability practices. Permanent dialogue and transparency are the core principles that govern Inditex's relations with its stakeholders.

Code of Conduct and Responsible Practices of Inditex Group

The Code of Conduct and Responsible Practices is the main policy that inspires and governs all of the Group's operations and provides the binding principles that apply in each and every area of its activities. The purpose of the Code consists of exacting an ethical and responsible professional conduct of Inditex and its workforce in the conduct of its business anywhere in the world, as part of its culture of ethics and compliance.

Approved in 2012 by the Board of Directors, this Code strengthens the awareness and enforcement of Inditex's ethical culture, deeply rooted in respecting Human and Labour Rights and in the effective inclusion of all employees, respecting their diversity.

The Code of Conduct and Responsible Practices can be found [here](#).

Code of Conduct for Manufactures and Suppliers of Inditex Group

The Code of Conduct for Manufacturers and Suppliers was approved by the Board of Directors in 2001 and amended in 2012. It is enforced across the entire supply chain, including all tiers and processes.

Upon commencing work for Inditex, all suppliers accept and undertake to meet Inditex Minimum Requirements, which include compliance with the Inditex Code of Conduct for Manufacturers and Suppliers, which explicitly prohibits slavery and human trafficking and is based on applicable national laws and international standards in the field.

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

The Code of Conduct for Manufacturers and Suppliers can be found [here](#).

Policy on Criminal Risks Prevention of Inditex Group

The Policy on Criminal Risks Prevention was approved by the Board of Directors on 19 July 2016, following a favourable report of the Audit and Compliance Committee (formerly, the Audit and Control Committee).

The Policy on Criminal Risks Prevention seeks to exact an ethical and responsible standard or professional conduct from the Group and its entire workforce and, in particular, to prevent the commission of any criminal offences, including offences related to human trafficking.

This Policy addresses the commitments to ethical and responsible conduct covered in the Code of Conduct of Responsible Practices, establishing a link between such commitments and the prevention of criminal offences and acts by employees and the Group.

The Policy on Criminal Risk Prevention can be found [here](#).

Find out more about our policies [here](#).

COMMITMENTS AND INITIATIVES

The Ten Principles of United Nations Global Compact

Since 2001, Inditex has been a signatory of the United Nations Global Compact and it commits to respect and promote its ten universally recognized principles, which include, among others, (4) the elimination of all forms of forced and compulsory labour and (5) the effective abolition of child labour.

Commitment to the Sustainable Development Goals (SDGs)

Inditex is fully committed to sustainability and respect for Human Rights throughout its value chain. In this regard, we have committed to the 17 Sustainable Development Goals (SDGs). Inditex's sustainable strategy is aligned with the commitment to working towards the objectives set by the SDGs for 2030, which include decent work and the eradication of child labour, modern forms of slavery and human trafficking.

Ethical Trading Initiative (ETI)

Inditex has been a member of ETI since October 2005 to improve working conditions in its supply chain. ETI is an alliance of companies, international trade unions, and non-governmental organizations. ETI's Base Code covers any manner of forced labour. Individual and collective initiatives to eradicate modern slavery are encouraged by the organization.

Global Framework Agreement with IndustriALL

The Global Framework Agreement (GFA) was signed in 2007 by and between Inditex and IndustriALL Global Union, the International Federation of trade unions which represents 50 million workers in 140 countries. The GFA protects and promotes best working conditions throughout the entire supply chain. It represented a key milestone in the industry as the first agreement to extend to a global supply chain and to create a space for the exchange of ideas and procedures regarding workers' rights. The GFA was renewed in 2019. A Global Union Committee was set up in 2020 to represent the workers of the production areas where we operate.

Public-Private Partnership with the International Labour Organization (ILO)

Entered into in 2017, the Partnership is aimed at the joint promotion between Inditex and ILO of respect for the fundamental principles and labour rights in the supply chain of the cotton sector.

ILO's Better Work Programme

The Better Work Programme is a platform to improve compliance with labour regulations and competitiveness of global supply chains. Inditex has been a member since October 2007. On 9 October 2013, Inditex and Better Work entered into a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work Programme.

Participation in United Nations Global Compact Decent Work in the Global Supply Chains Platform

Inditex is part of the United Nations Global Compact Decent Work in the Global Supply Chains Platform. This is an alliance of companies and other agents which seeks to make progress by means of collective actions to ensure decent work conditions and to eradicate forced labour, modern slavery and child labour.

Participation in Shift's Business Learning Programme

Shift is a non-profit organization specializing in Human Rights, led by Professor John Ruggie, the author of the UN Guiding Principles on Business and Human Rights. This leading programme in Human Rights involves companies of all sectors willing to work towards implementing the UN Guiding Principles on Business and Human Rights.

COVID 19: Action in the Global Garment Industry

An initiative aimed at encouraging action in the global textile sector to help industry cope with the economic impact of the coronavirus pandemic, while promoting the protection of the incomes, health and employment of industry workers. This call to action was agreed in 2020 by the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union together with international brands, and with the technical support of the International Labour Organisation (ILO). Inditex is part of the International Working Group created for its implementation.

Find out more about our commitments and initiatives [here](#).

DUE DILIGENCE PROCESS

Due diligence is the second main driving force of Inditex's Human Rights Strategy; the political commitment reflected in the Policy on Human Rights is the first, and queries and grievance mechanisms, the third.

Due diligence entails identifying and prioritizing potential impacts on Human Rights throughout the value chain, to subsequently integrate the findings into the different processes of the Group.

Our due diligence process in the field of Human Rights is permanently updated helped by the feedback from Inditex's main stakeholders and its Sustainability teams in its production markets. A clear sign of this has been the update in 2020 of its programmes and projects to minimize the impact of the health crisis on both its workers, and those of its business partners.

The fashion retail industry, as well as others, has been significantly impacted by the COVID-19 outbreak – from store closures in different markets, the need for remote working, or monitoring conditions jointly with suppliers.

On the outbreak of the pandemic, Inditex intensified its Human Rights due diligence to identify potential impacts on Human Rights in the context across the value chain and detect potential emerging risks. To achieve this, it has closely monitored its current and potential impact in the short and mid-term. The Group's priority has been to ensure the health and wellbeing of its employees, customers, and any direct or indirect service provider or supplier of goods to the Group.

Find out more in the Inditex Group Annual Report for 2020 (pages 199 et seq.).

Due diligence in the value chain

We understand the importance of identifying the potential Human Rights impacts in our value chain, beyond the supply chain. In this regard, we work with different corporate areas such as our logistics team. In 2020 and in collaboration with Shift this team received training on due diligence and Human Rights and is actively working to develop mechanisms and strategies to uphold labour standards through this part of the value chain.

DUE DILIGENCE IN THE SUPPLY CHAIN

“2019-2022 Workers at the Centre” strategy

The supply chain has been identified as one of the business areas with a higher impact on Human Rights. Inditex’s social sustainability strategy “Workers at the Centre 2019-2022” aims to generate a positive impact on workers in the supply chain. Responsible suppliers and worker empowerment are core to this strategy’s success.

The strategy has a four-year action plan which includes 135 activities with various scopes that focus on the workers in the supply chain – 24 have been completed and 81 are currently in progress. In 2020, in spite of the limitations brought about by the pandemic, 1,374 suppliers were involved in one of the programmes implemented over the year, with positive effects on 1,224,557 workers.

The strategy builds upon three elements:

1/ The workers: as the main beneficiaries of the plans and programmes implemented.

2/ Impacts from the strategy on three worker-related dimensions of:

a/ The workplace: where respect for Human and Labour Rights must be ensured through the evaluation, improvement and follow-up of the factories.

b/ Worker wellbeing: based on the experience gained at the factory level, Inditex implements more thorough and progressive programmes to impact and progress changes in the life of workers and their communities.

c/ The industry: this dimension strategically promotes efforts, helped by partnerships with different stakeholders (including NGOs, civil society, suppliers, industry peers, etc.) to drive systematic and effective changes towards sustainability.

3/ Due diligence: as key element to identify priority impact areas.

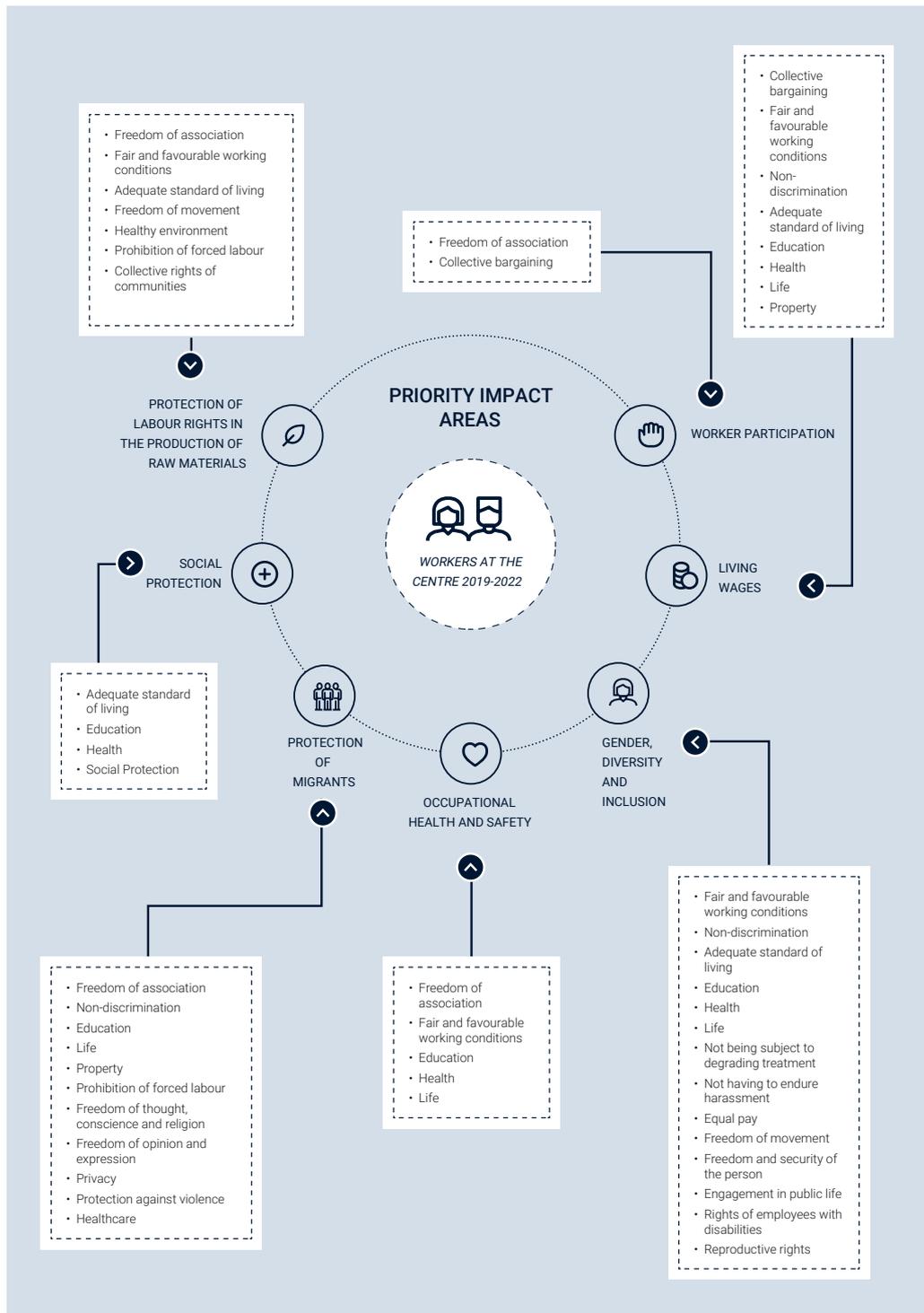
2019 - 2022 Workers at the Center



| Three elements | |
|----------------------|-----------------------------------|
| Workers | Main beneficiary |
| Dimensions | Workplace, wellbeing and industry |
| Due diligence | Seven priority impact areas |

| Scope of the strategy | |
|--|-------------------------------|
| All suppliers and manufacturers across the supply chain | Direct and indirect suppliers |
| | All production levels |

The Group's strategy, based on the premise of understanding and catering to the needs of workers, their families and the communities where they live to promote decent work and sustainable production environments, came about following a due diligence process with Shift where we identified the seven priority impact areas which have become its focus.



A work group is assigned to each priority impact area, charged with implementing each strand of the strategy. They are composed of local experts from the different clusters of Inditex. Each local team joins up to address global challenges in the industry and find solutions fit for the entire supply chain, that are also applicable locally taking into account the different realities in each region.

The process of ongoing due diligence provides us with the necessary flexibility to adapt the strategy to the needs of the time – as was the case during Covid-19.

Find out more in the Inditex Group Annual Report for 2020 (page 203).

Four areas stand out regarding the supervision of the supply chain in the areas of forced or involuntary labour. Namely: protection of migrants, gender, diversity and inclusion, social protection and protection of workers' rights in the production of raw materials.

PROTECTION OF MIGRANTS

Inditex maintains a zero-tolerance policy against exploitation of any workers across the supply chain, as provided in the Code of Conduct for Manufacturers and Suppliers. In particular, special attention is paid to migrants and refugees, as the most potentially vulnerable groups with regards potential abuses.

The Group follows a respective strategy based on three specific lines of action that guide the related projects and activities:

Remediation plans for refugees and migrants

Inditex carries out thorough assessments its supply chain to identify the existence of migrant workers and assess their working conditions. Where the presence of migrant workers is detected, the Group launches the relevant action plans aimed at ensuring respect for their Human Rights taking action that leads to employment regularisation and removal of barriers with local workers. For example: in 2020 Inditex collaborated in Turkey with a local NGO, MUDEM to support 66 workers.

Fair employment and recruitment practices for migrants and refugees

In 2020 the scope of the Sowbhagyam programme, a project implemented by the Group in

India, has extended to SOWBHAGYAM 2. The goal of this programme is to raise awareness among management of our suppliers in India of the need to develop fair recruitment and employment practices with a focus on migrant and refugee workers. Training has been given to managers of 4 spinning facilities in India, with upwards of 6,800 workers.

Strengthening social and labour cohesion

Within this line of action, Inditex works to encourage peaceful environments which support mental wellbeing. To achieve this, integration projects are being carried out with organizations such as the International Labour Organization (ILO) to support the removal of cultural barriers, or United Work, providing integration training programmes for refugee workers on their rights and responsibilities.

Despite the difficulties that migrant and refugee workers face, the Group has been able to adapt its strategy to protect them in view of the existing health crisis by providing workers and factories with the necessary infrastructure and resources to implement programmes and training sessions.

Find out more in the Inditex Group Annual Report for 2020 (pages 242 – 245).

GENDER, DIVERSITY AND INCLUSION

The global crisis created by COVID-19 has not only increased inequality but has created a scenario where the individuals in the most vulnerable situation, in particular women and girls, are those who bear the worst consequences of the environmental, economic and social disruption.

In this area, the Group works towards achieving UN Sustainable Development Goal 5: empower all women and girls.

Through the various programmes comprising the Gender, Diversity and Inclusion Strategy (formerly, the “Women’s Empowerment Strategy”), Inditex aims for all the female workers in its supply chain to enjoy decent working conditions and equal opportunities, through gender equality and, creating a diverse, safe and inclusive workplace.

Find out more in the Inditex Group Annual Report for 2020 (pages 224-234).

The strategy revolves around three pillars:

| MAIN PROGRAMMES AND INITIATIVES IN 2020 | | |
|---|--|---|
| Health | Guarantee access to health, and in particular maternity services and reproductive health. | Sakhi Health Programme (India) – 23,100 benefited workers Health Programme with Medicus Mundi (Morocco) – 14,174 benefited workers |
| Protection | Promoting zero tolerance policies and practices to prevent and manage harassment in the workplace. | Sowbhagyam 1 project (India) – 2,897 benefited people in communities Protection Programme with Medicus Mundi South (Morocco) – 2,487 benefited workers |
| Empowerment | Involving female workers in financial, leadership or empowerment programmes. | HERFinance (Bangladesh, China, India) – 12,219 benefited workers Together Strong (Turkey) – 418 benefited workers |

SOCIAL PROTECTION

Social protection increases resilience in societies in the face of any adversity that might affect their workers and employers and is therefore becoming a focus area in the industry globally. Governments and representative bodies of national employers and workers play a key role in articulating social protection mechanisms so that recipients benefit from unemployment, health or other relevant welfare systems.

Central to Inditex’s social protection strategy is collaboration with stakeholders at an industry and national level to establish mechanisms that bring about sustainable development and promote tripartite social dialogue at a national level. It also seeks to support local initiatives focused on workers and their communities.

COVID-19: Action in the Global Garment Industry Initiative

In 2020, as a response to the impact of the global pandemic on the global supply chain of the textile industry (particularly, on workers and employers) this pioneering call to action in the industry came about, whose final text was agreed between the International Organization of Employers (IOE), the International Trade Union Confederation (ITUC), and IndustriALL

Global Union, with the technical support provided by the International Labour Organization (ILO) to all parties during the process, acting as a neutral convening party.

It is based on identifying priority areas and commitments that have the support of the main stakeholders in the sector, to encourage the mobilization of resources from international financial institutions and donors with a view to supporting workers and employers in accordance with ILO's recommendation 202 with a view to setting the responsibilities of all parties concerned to contributing to sustainable social protection systems.

Inditex played a proactive role in the creation of this call to action and after its formal adherence, it has assumed along with another brand the representation of participants in the International Working Group created to achieve such commitments.

RAW MATERIALS

Raw materials are the farthest link in the textile supply chain and the production process differs for each one, be it synthetic or natural. Workers in this sector therefore experience a different reality to workers in the factories of finished goods. Inditex has developed a strategy to protect labour rights in the raw material supply chain. This strategy was consolidated in 2019 within the framework of the "2019-2022 Workers at the Centre" programme. The Group has a holistic approach regarding protection of the rights of the workers involved in raw material production, joining forces with several actors, including local and international organizations, and communities themselves. For example, to foster sustainability across the cotton supply chain, Inditex collaborates with ILO, Textile Exchange and Organic Cotton Accelerator, among others.

Inditex signed a Public Private Partnership (PPP) with the ILO in 2017 to promote the wellbeing of workers involved in the production of raw materials, in particular of cotton. The PPP seeks to promote the fundamental labour principles and rights in cotton-producing communities and contributes to the sustainability of the supply chain of this raw material. The PPP seeks to embed the fundamental principles and labour rights in cotton producing communities. To achieve it, a cooperative approach with different stakeholders nationally and in the communities themselves is key.

So far, Inditex has worked together with ILO in the cotton producing communities of China, India, Pakistan and Mali, which has benefitted more than 920,000 people through awareness raising and training programmes and dialogue on the working conditions of the workers in the cotton industry.

Find out more about our collaboration with ILO [here](#).

Due Diligence in the Cotton Supply Chain

In recent years, several reports have been published condemning social practices and breaches in some parts of Asia where Inditex does not have direct or indirect commercial relations with factories and product suppliers. At Inditex, we carefully analyse any information related to abusive or inappropriate practices in any link in the textile supply chain, and we put the necessary mechanisms to prevent or remedy them into practice.

In 2020, based on our due diligence processes and in collaboration with various Organizations, we continued to work to ensure the absence of forced labour – of which we have a zero-tolerance approach – as well as to ensure compliance with international standards and our Code of Conduct for Manufacturers and Suppliers including in the raw materials supply chain. Inditex has developed and applies strict policies and actions with the ultimate goal of fostering respect for the Human Rights of all workers in our supply chain.

Our audit programme, together with the activities related to the ‘Workers at the Centre 2019-2022’ strategy, and our close partnerships with stakeholders such as the ETI or ILO strengthen our commitment to the prevention of forced labour. We remain committed to the involvement of and dialogue with relevant stakeholders (both local and international) to identify opportunities to prevent negative impacts on workers’ lives.

For this reason, Inditex takes action at the following levels:

/ At community level. By means of the Public Private Partnership with the ILO to enhance human and labour rights within the cotton supply chain covering the fundamental rights and principles at work, including the prevention of forced labour.

/ At industry level, as established in the UN Guiding Principles on Business and Human Rights and in collaboration with relevant stakeholders, the Group works to promote the human and labour rights of workers within the global textile supply chain.

Furthermore, Inditex is a signatory to the “Uzbek Cotton Pledge” for the eradication of forced labour in the [cotton production line in Uzbekistan](#).

RISK MANAGEMENT

Suppliers' verification and audits

Inditex supports its social sustainability strategy with actions aimed at verifying and ensuring compliance with the Code of Conduct for Manufacturers and Suppliers – which states that any form of forced labour is expressly prohibited – and with international regulations. It does this in addition to working with suppliers and stakeholders to continuously improve the supply chain.

All the facilities required to produce the goods that Inditex places on the market must comply with the Code of Conduct for Manufacturers and Suppliers. To ensure this compliance, Inditex conducts different procedures and assessments regarding Human and Labour Rights among all of its suppliers and factories – chiefly through different types of audits.

Before becoming part of Inditex's supply chain, every potential supplier and manufacturer is subject to a pre-assessment, to verify that no violation of Human Rights of its workers exists, ensuring that only those who meet the Group's sustainability standards may become part of the supply chain. During pre-assessment audits, one of the elements reviewed is the prohibition of forced labour. In 2020, despite the difficulties experienced as a result of the health crisis, Inditex was able to adapt to the situation with the support of its teams in each cluster and carried out 3,062 pre-assessment audits.

Subsequently, every supplier and factory in Inditex's supply chain is subject to periodic social audits. The methodology used in social audits was designed in 2017, jointly with the former International Textile and Garment and Leather Workers' Federation (ITGLWF), (currently IndustriALL Global Union), the University of Northumbria (UK) and the Cambridge Centre for Business and Public Sector Ethics.

The main purpose of social audits is to verify the level of compliance with the Code of Conduct for Manufacturers and Suppliers and launch Corrective Action Plans, where appropriate, to ensure respect for Human and Labour rights and remedy any detected non-compliances. Social audits can be conducted both by internal and external auditors, always without prior notice to the facility being audited.

Each audit includes tools, inter alia, to identify any form of forced labour, and to verify issues such as employment documentation, freedom of movement and the termination of agreements, the use of agents for recruiting staff and their relationship with the workers, including any potential payment of hiring fees, among others. 5,689 social audits were conducted in 2020.

In addition to social audits, Inditex also conducts special audits, which focus on verifying compliance where a potential non-compliance with the Inditex Code of Conduct for Manufacturers and Suppliers is detected, for the purposes of preventing, monitoring or remedying any risks. 781 special audits were conducted in 2020.

Audits by region 2020

| Geographical Area | Traceability | Pre-assessment | Social | Environmental | Special | Total |
|-------------------|--------------|----------------|--------------|---------------|------------|---------------|
| Africa | 139 | 63 | 197 | 26 | 36 | 461 |
| Americas | 28 | 15 | 14 | 1 | 2 | 60 |
| Asia | 642 | 2,123 | 3,259 | 670 | 673 | 7,367 |
| Europe (non-EU) | 385 | 394 | 1,074 | 237 | 43 | 2,133 |
| European Union | 148 | 467 | 1,145 | 189 | 27 | 1,976 |
| Total | 1,342 | 3,062 | 5,689 | 1,123 | 781 | 11,997 |

EFFECTIVENESS AND CONTINUOUS IMPROVEMENT

To enforce the sustainability policies and procedures of the Group across the entire supply chain it is essential to work on the ground and understand the specific characteristics of each supplier region. This is why Inditex works through clusters in its main sourcing markets. These clusters offer space for cooperation and dialogue to promote a sustainable production environment in a strategic geographical area and within the framework of compliance with Human Rights and fundamental labour rights. Clusters are made up of local professionals with broad experience in sustainability and various skills and capacities to establish close cooperation with suppliers, manufacturers and the different organizations within their sphere of influence.

In 2020, the Group had 12 supplier clusters, which accounted for 97% of its total production: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Brazil and Argentina.

The daily work of members of the clusters with suppliers and manufacturers is key to the continuous improvement of workers' working conditions. In this regard, Corrective Action Plans represent another main tool for Inditex to respect and promote Human and Labour Rights in the supply chain.

Each audit immediately triggers a Corrective Action Plan that identifies the actions required by the supplier or the manufacturer to improve their compliance with the Code of Conduct for Manufacturers and Suppliers, as well as the time frame to implement them. These time frames vary dependent on their severity and impact on workers' rights. Any supplier wishing to engage in a commercial relationship with Inditex is bound to action these Corrective Action Plans, and for these purposes, they rely on the full support and dedication of Inditex's Sustainability Teams. In addition to internal teams, other stakeholders such as NGOs, trade unions or other civil society organizations can be involved in such plans.

Corrective Action Plans mainly target:

/ the establishment of measures aimed at mitigating and/or remedying potential non-compliances with the Code of Conduct for Manufacturers and Suppliers; and

/ prevention, to avoid further breaches in the future.

With regard to the most sensitive aspects of the Code of Conduct for Manufacturers and Suppliers, the duration of the Plan is restricted to six months. Once this period is over, a new social audit is carried out to assess the degree of implementation of the corrective measures carried out. If it is found that the necessary measures have not been implemented, the factory or supplier is blocked within Inditex's supplier management system and can no longer work for Inditex.

It is worth mentioning that, in line with our philosophy of ongoing improvement, in 2020, the scope of the comprehensive follow-up conducted through these Corrective Action Plans has been extended. Despite the pandemic environment, which has brought restrictions in movement, 715 Corrective Action Plans were conducted in 2020, of which 303 were carried out in factories Subject to CAP and 412 in factories with other rankings.

We believe that working with factories to improve brings the best long-term outcome for workers through the continued promotion of Human and Labour Rights. However, should a supplier or factory not work with us in making these improvements, blocking a supplier or a factory is a last resort. Inditex's support for suppliers and factories is not limited to carrying out the Corrective Action Plans where evidence of non-compliance exists, but instead, different courses of action are followed to prevent non-compliance and proactively seek continuous improvement.

TRAINING AND AWARENESS-RAISING

A strong culture of sustainability in all areas of the Group is essential to the successful implementation of our business model. To install a culture of sustainability among all employees, regardless of their position and duties, we conduct training activities in our offices, stores, logistics centres, and the markets we serve.

We operate an on-boarding process for head office employees focused on sustainability (social, environmental and product health and safety) to ensure that they have the appropriate training and understand the importance of sustainability for the Inditex Group.

After this initial approach to sustainability, employees undertake specific training depending on their roles and responsibilities. Training is essential for our purchasing teams due to the impact of their decisions on the sustainability of our products and supply chain. In addition, the area of sustainability encompasses aspects such as the impact of raw materials, circularity and the influence of responsible purchasing practices on employee rights. In 2020, 6,960 employees at our head offices, subsidiaries, corporate headquarters, stores, and logistics centres received sustainability training. Likewise, since 2014, more than 28,000 employees have received some form of sustainability-related training.

Training and raising awareness among suppliers are also key to make progress towards the joint continuous improvement of the supply chain from the perspective of Human and labour Rights. Inditex's Sustainability teams advise suppliers through constant communication and training to share the Group's values, to raise awareness of respect and promotion of Human Rights and workers' wellbeing.

Training programmes include topics relating to procedures and requirements of the Group, including the Code of Conduct for Manufacturers and Suppliers, and to priority impact areas identified through due diligence. Individual awareness-raising and group training is provided, the latter run by internal teams or in partnership with reputable organizations with various specialisms. Of note is the training run together with IndustriALL, the ILO, Better Work, BSR, among others. 407 individual training sessions with suppliers were organized by Inditex Sustainability teams in 2020, and 637 suppliers were trained in groups to provide them with the skills to foster a more sustainable supply chain.

Responsible purchasing practices are also a very relevant part of how sustainability is embedded in the business model. They are defined by the way buying teams interact and negotiate with the suppliers in the supply chain. They encompass strategic planning, procurement, development, purchasing and the underlying values and principles that affect workers. In 2020, 120 buyers were trained in sustainability and responsible purchasing practices.

GRIEVANCE MECHANISMS

The third pillar of the Inditex Group's Human Rights strategy, together with the Policy on Human Rights and due diligence, is grievance mechanisms.

The Ethics Line (formerly, the Whistle Blowing Channel), managed by the Committee of Ethics, is the main grievance and queries mechanism of the Group. Any group employee, manufacturer, supplier or third party with a direct relation and a lawful business or professional interest at all levels and in all geographies (the "Parties Concerned") may use the Ethics Line, even in an anonymous manner:

/ To raise queries and doubts about the construction or enforcement of the Codes of Conduct, and of any other internal regulations of conduct of the Group falling within the remit of the Committee of Ethics; and

/ To report any breach of the Codes and/or any other internal regulations of conduct affecting Inditex or its Group, which fall within the remit of the Committee of Ethics, and that it has been apprised of, by employees, manufacturers, suppliers or third parties with whom Inditex is engaged in an employment, business or direct professional relationship.

The Committee of Ethics is responsible for overseeing the Ethics Line and launching any necessary investigation, and for proposing the relevant remediation, prevention and awareness-raising measures, as the case may be. The proceedings of the Ethics Line are described in the Ethics Line Procedure.

The Ethics Line Procedure was amended in 2019 for the purposes of bringing some of its provisions into line with the regulatory requirements in the field of personal data protection and of rights of users of reporting mechanisms, as well as with best international practices in the field of Human Rights, and in the field of ethics line and protection of rights of reporting parties. The Ethics Line Procedure explains and reinforces the guarantees and protective measures for the parties in the process, i.e.: (i) the utmost confidentiality; (ii) non-retaliation in respect of Parties Concerned acting in good faith; (iii) presumption of innocence and preserving the reported parties' honour; (iv) the parties' right to be heard; and, (v) the appropriate processing of personal data gathered in the scope of the investigation.

In 2020, the Ethics Line processed 315 cases. Further to the relevant investigations, no evidence was found in any of the cases seen by the Committee of Ethics, of violation of Human Rights, either of Inditex's employees, or of its suppliers of goods and/or service providers.

Find out more about the Committee of Ethics and the Ethics Line [here](#).

The Global Framework Agreement (GFA) executed with IndustriALL Global Union signed in 2007 and renewed in 2019 is a testimony of the commitment of the Group and IndustriALL to the promotion of labour rights in the textile supply chain, and with compliance with international labour regulations and our own Code of Conduct for Manufacturers and Suppliers. Our agreement and relationship with IndustriALL also cover mechanisms to listen to and escalate concerns relating to labour standards. Inditex relies on social dialogue as a key mechanism to promote mature labour relations within our supply chain.

Inditex is, in essence, committed to preventing forced labour at all levels within its value chain, in particular, its supply chain. The Group strongly believes that this individual commitment is strengthened by a collective approach including through collaboration with governments, the industry, civil society and other stakeholders.

This Statement has been approved by the Board of Directors and signed by Mr Óscar García Maceiras, General Counsel, Secretary of the Board, and Chief Compliance Officer of Inditex Group.