









# SOCIALLY RESPONSIBLE SUPPLY CHAIN

*Our supply chain comprises more than 2 million people working for over 1,800 suppliers and 7,000 non-exclusive factories. Our “Workers at the Centre” programmes aim to maximize the positive impact of our activity, creating socially sustainable working environments for our employees via a range of measures implemented on the ground by our teams in each production area or cluster. Inditex’s Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018 was the basis of this approach, which we will continue to develop over the next four years.*

**Photo:** Employees at Zara Woman’s head offices in Arteixo (A Coruña).



SDG	TARGETS	INDITEX'S CONTRIBUTION
	3.9	Worker health and safety is an essential element of our strategy for the supply chain, as reflected in our Code of Conduct for Manufacturers and Suppliers. Apart from verifying compliance with the Code of Conduct through audits, we develop specific programmes to ensure health and safety in factories. In 2018, we signed the Bangladesh Transition Accord to keep contributing to the sustainability of the sector in that country.
	5.1	We have developed a Women Empowerment Strategy in the Supply Chain, which is based on SDG 5 and has three main themes: health, protection and empowerment. The various programmes and measures we develop in each of these areas contribute to guaranteeing equality for women and promoting their empowerment within the supply chain.
	5.2	
	8.5	Workers are the hub and focus of all of our activities in the supply chain. The Strategic Plan 2014-2018 that came to an end last year has contributed to developing measures designed to protect labour rights. Moreover, our <i>Workers at the Centre</i> programmes add value to priority areas, allowing us to contribute to promoting decent work and sustainable economic growth for the more than 2 million workers employed by our suppliers.
	8.7	
	8.8	
	17.16	In line with our conviction that progress on the sustainable development of the supply chain can only be achieved when we work with all of the stakeholders involved in the supply chain, we have joined forces and built strategic alliances with our suppliers and with trade unions, governments, NGOs and relevant international organisations such as the International Labour Organization and UN Global Compact. In 2018, we joined the <i>Better Than Cash Alliance</i> .
	17.17	

 More information on pages 294 and 295 of this Annual Report.

R&D INDICATORS – SOCIALLY RESPONSIBLE SUPPLY CHAIN		
	Over the course of 2018, Inditex rolled out R&D projects that combine disciplines from the fields of technology, social science and industrial organisation with the aim of developing new organisation and management systems, taking a novel and unique approach centred on the welfare of workers. In parallel, it applied R&D projects in the social sciences arena with the aim of improving the methodologies used to ensure compliance with Inditex's codes and standards applied as part of its responsible supply chain management strategy.	
	<b>Investment earmarked to R&amp;D</b>	€ 989,195

Inditex has engaged an independent study to identify and measure the R&D effort in each of the Group's areas. The results are reported on in the various chapters outlining Our Priorities and are expressed in terms of investment (in euros) and the key projects carried out. The overall results of the study as well as an explanation of the assessment and the criteria used, is available in the "Sustainability, in figures" chapter.

 More information on pages 292 and 293 of this Annual Report.

## Social sustainability of the supply chain

At Inditex we believe that we have a responsibility and opportunity to contribute to creating socially sustainable production environments for the workers in our supply chain, generating a positive impact with our activity in the textiles industry, which constitutes a major driving force for the economy and progress of many of the countries and regions where we are present. That is why we make sure that our suppliers and manufacturers work in a way in accordance with the responsible values and practices that characterize the Group, implementing programmes to promote improvements to the social and working conditions experienced in each production area or cluster, in constant collaboration and discussions with the bodies and institutions working in each cluster.

The companies that make up our supply chain are subject to our Code of Conduct for Manufacturers and Suppliers. They must comply with all of our standards before they can become part of our supply chain and to remain in that

chain. Our Strategic Plan for a Stable and Sustainable Supply Chain has enabled us to organise our supply chain management from a socially sustainable perspective.

The Strategic Plan completed in 2018 has given rise to the Workers at the Centre programmes, structured around seven areas of action linked to the real situation of the supply chain.

Moreover, our work in clusters and our alliances with different stakeholders – including our Global Framework Agreement with IndustriALL Global Union and collaboration with the International Labour Organization (ILO) are key to our ongoing progress with the social sustainability of the supply chain.

All of these tools form the basis of our new Plan for 2022. Its central idea is that workers should be listened to and empowered to achieve an impact on their work environment, community and industry.

### I Tools for the sustainable management of the supply chain

<b>CODE OF CONDUCT FOR MANUFACTURERS AND SUPPLIERS</b>	Compliance with the Code of Conduct is an obligation of all our suppliers and manufacturers.	It establishes the minimum standards of ethical and responsible behaviour which they must meet in line with the corporate culture of the Inditex Group, which is firmly based on respect for human and labour rights.
<b>STRATEGIC PLAN FOR A STABLE AND SUSTAINABLE SUPPLY CHAIN 2014-2018</b>	This was the strategy in place over the last five years which set out the main action lines to be taken by Inditex to adapt to the sustainability needs of the supply chain.	Four lines of action: <ul style="list-style-type: none"> <li>- Identification</li> <li>- Assessment</li> <li>- Optimization</li> <li>- Sustainability</li> </ul>
<b>WORKERS AT THE CENTRE PROGRAMMES</b>	Programmes that add value to priority areas and advance on the creation of sustainable production environments.	<ul style="list-style-type: none"> <li>- Worker participation</li> <li>- Living wages</li> <li>- Responsible purchasing practices</li> <li>- Women empowerment</li> <li>- Occupational health and safety</li> <li>- Protection of migrants</li> <li>- Training and awareness</li> </ul>
<b>WORK IN SUPPLIER CLUSTERS</b>	These clusters offer spaces for cooperation and dialogue with the aim of promoting a sustainable production environment in a strategic geographical area and within the framework of compliance with human rights and fundamental labour rights.	Twelve supplier clusters account for some 96% of Inditex's total production.
<b>PARTNERSHIPS</b>	Joint work with different stakeholders, identifying challenges and seeking common solutions.	Global Framework Agreement with IndustriALL Global Union and alliances with the International Labour Organization, the UN Global Compact and Better Than Cash Alliance. Participation in ACT (Action, Collaboration, Transformation), the Ethical Trading Initiative and the Bangladesh Accord.



# 1. Workers at the Centre

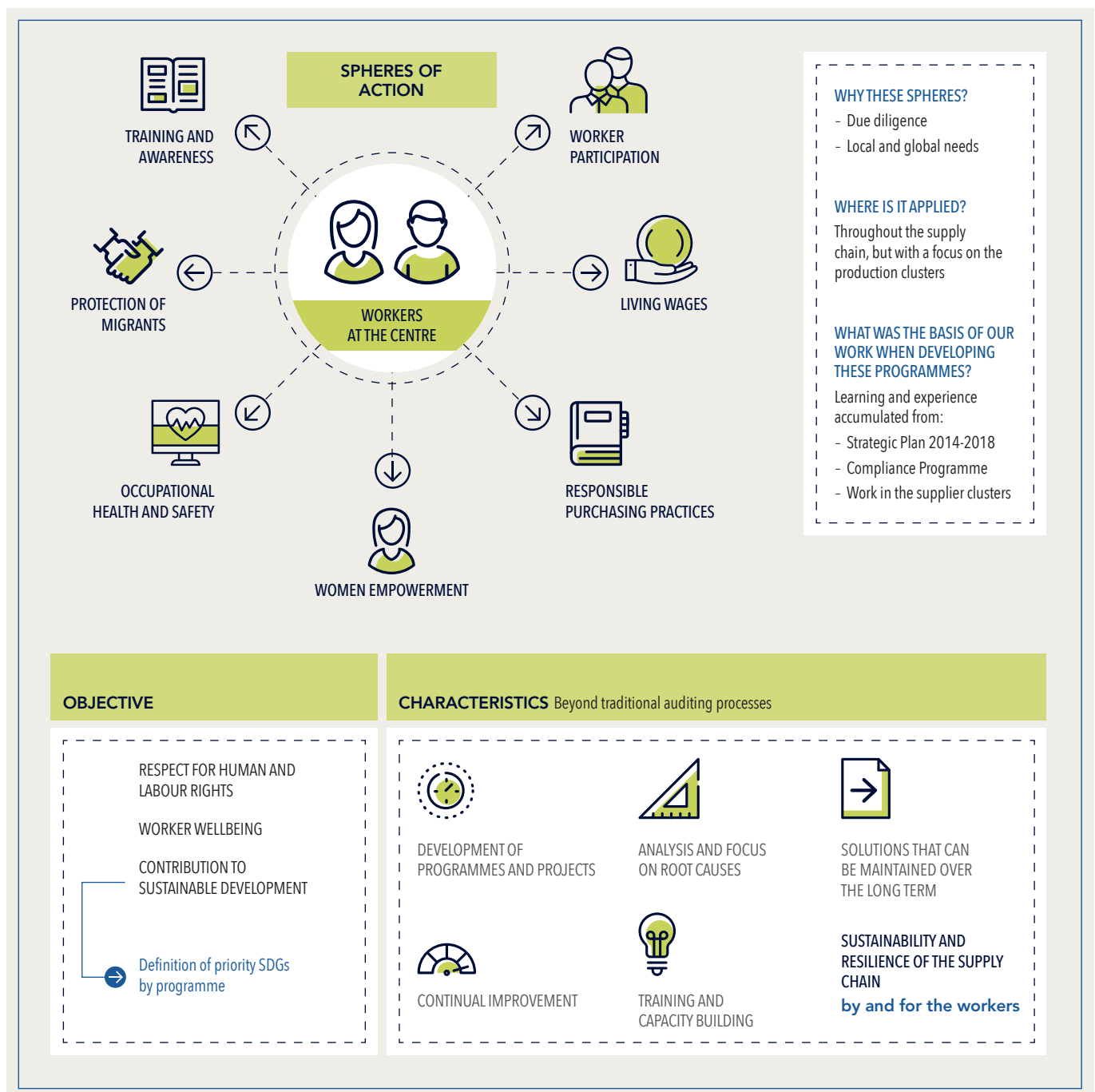
Workers are the heart and focus of all of our activities in the supply chain. With our *Workers at the Centre* programmes we contribute to the Sustainable Development Agenda, mainly to the SDGs most closely related to the strategy, and in particular those goals in which our supply chain has the greatest impact.

 More information on page 277 of this Annual Report.

The *Workers at the Centre* programmes focus on seven spheres of action established through a due diligence


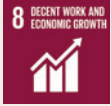


process and paying attention to local and global needs. These areas have been identified thanks to our close relations with workers and their communities by means of the clusters.

Despite being deployed in different spheres of action, all of the programmes have characteristics in common, such as the quest for continual improvement or a focus on training. But the most important thing they have in common is the workers themselves, whose wellbeing is the basis and purpose of all of the programmes.



## 1.1. Worker participation

Fostering mature labour relations through the effective participation of workers and their legitimate representatives.

 <b>WORKER PARTICIPATION</b>			
SDGs	  		
	TARGETS	MILESTONES 2018	KPIs 2018
TRAINING AND AWARENESS	Training on trade union issues and promotion of active worker participation.	Internal training in India. Training for suppliers and manufacturers in Bangladesh, Bulgaria, Romania and India. Training for workers' representatives in India.	Five members of the Sustainability team trained. 86 suppliers and factories with 114,094 workers trained. Five local partners of IndustriALL India trained.
MULTILEVEL STAKEHOLDER RELATIONS	Participation in local and global initiatives with various stakeholders.	Collaboration with the International Labour Organization (ILO), the Bangladesh Accord, ACT (Action, Collaboration, Transformation), the Ethical Trading Initiative (ETI) and the <i>Foro Social de la Moda</i> (Social Fashion Forum).	116 factories with 162,557 workers in Better Work (ILO). Two factories with 2,201 workers in the ILO-GIP (ILO - Garment Industry Project) programme. Three factories with 7,752 workers in the Social Dialogue Programme (ETI).
TRANSPARENCY AND COLLABORATION ON THE GROUND	Share information on suppliers and manufacturers with IndustriALL to facilitate trade union access to work centres.	Programmes in Turkey, India and Bangladesh.	Programmes in 41 factories with 74,903 workers.

Worker empowerment and the promotion of social dialogue are the main bases of mature industrial relations fully grounded in the principles of freedom of association and the right to collective bargaining.



We have had a Global Framework Agreement with IndustriALL Global Union since 2007. It is the first agreement of its kind since it encompasses an entire global supply chain. Along with the standards enshrined in Inditex's Code of Conduct, the Agreement sets out the principles governing our relations with the more than 1,800 suppliers and 7,000 factories that are part of Inditex's supply chain, albeit in non-exclusive collaboration.

### 1.1.1. Training and awareness

Social dialogue involving employers, workers and worker representatives is the fruit of interactions between these stakeholders, mainly within the representative bodies in work centres. Work centres are, therefore, the main spaces where we have carried out awareness-raising and training activities in conjunction with IndustriALL Global Union on the right to freedom of association and collective bargaining. Apart from continuing with existing initiatives, we developed new programmes in 2018 with the aim of making progress on the implementation of the Global Framework Agreement.



<p><b>INTERNAL TRAINING</b></p>	<p>India: In 2018, we took the Global Framework Agreement further with training for Inditex's Social Sustainability team in India, imparted by IndustriALL Global Union.</p>
<p><b>SUPPLIERS</b></p>	<p>Bangladesh: The managers and representatives of workers from 11 suppliers and manufacturers (with more than 20,856 workers) attended a training activity on the Global Framework Agreement and promoting social dialogue with IndustriALL Global Union and its local members.</p> <p>Bulgaria: 17 suppliers and manufacturers (with more than 2,480 workers) were trained on industrial relations and the Global Framework Agreement with representatives of IndustriALL Global Union and its local members in the country.</p> <p>India: 54 suppliers and manufacturers (with 89,086 workers) were trained on industrial relations and social dialogue by IndustriALL Global Union and Inditex.</p> <p>Romania: Four manufacturers (with 1,672 workers) attended a seminar on the Global Framework Agreement. Participants included representatives of the Romanian government, IndustriALL Global Union and its local members, and representatives of the Romanian textiles industry.</p>
<p><b>WORKERS' REPRESENTATIVES</b></p>	<p>India: a training session was held for five local IndustriALL Global Union members on the Global Framework Agreement.</p>

### 1.1.2. Multilevel stakeholder relations

Inditex considers its relations with stakeholders on social dialogue to be fundamental. In this sense, Inditex's strategic collaboration with IndustriALL Global Union is complemented by its collaboration with key organisations in the countries in our supply chain. This collaboration is led by the local teams in Inditex's Sustainability Department.



We collaborate with the International Labour Organization on their Better Work programmes, which complement the Global Framework Agreement in promoting social dialogue from a sectoral perspective, as well as at the work centres under the auspices of these programmes. Inditex participates with Better Work in Bangladesh (one factory), Cambodia (81 factories), Indonesia (eight factories) and Vietnam (26 factories), benefitting a total of 162,557 workers. Meanwhile, and also in the framework of the Better Work programmes, 17 factories in Cambodia participated in specific training on health and safety.

We have also developed the ILO-GIP (ILO Garment Industry Project) in two factories (2,201 workers) in our supply chain in Myanmar. This programme, which fosters social dialogue and labour relations, aims to improve employees' working conditions.



The Accord on Fire and Building Safety in Bangladesh (the Accord) is another of the initiatives promoted by IndustriALL Global Union and Inditex along with more than 190 brands in the textiles sector operating in the Asian country. Its main objective is to drive improvements in structural conditions to prevent fires and electrical problems in the more than 1,600 factories in the supply chain of the brands taking part in the programme, with a special focus on active participation of workers in implementing the initiative. It is also promoted by eight national-level trade unions and two global trade union organisations.

More information on page 125 of this Annual Report.



Inditex and IndustriALL Global Union led the ACT initiative along with other global textile brands. The aim of the initiative is to promote collective bargaining in the countries in the supply chains of the signatories to the initiative to promote better working conditions and living wages in the textiles industries in these countries.

More information on page 106 of this Annual Report.



Collaboration with the Ethical Trading Initiative on worker participation continued in 2018 with the implementation of the Social Dialogue Programme in three factories in our supply chain in Bangladesh (7,752 workers).



The *Foro Social de la Industria de la Moda de España* (Spanish Fashion Industry Social Forum) was founded in 2018 as a joint initiative involving organisations in the third sector, local trade unions affiliated to IndustriALL Global Union (the two major trade unions in Spain, CCOO and UGT) and various Spanish textile brands including Inditex. The initiative provides a dialogue forum on global supply chains for the various stakeholders.





### 1.1.3. Transparency and collaboration on the ground

Our relations with IndustriALL Global Union, an organisation representing 50 million workers in 140 countries, are governed by a mutual commitment to collaboration. We regularly share the complete list of our supply chain, at all levels and in all processes, with IndustriALL, including purchasing volumes and sustainability compliance levels.

This principle of transparency, along with access to all the production units of all of our suppliers, allows the two organisations to collaborate in an efficient way, establishing relations between local members of IndustriALL Global Union and Inditex's local Sustainability teams. The result of this is joint programmes to promote mature industrial relations in Turkey (17), India (1), and Bangladesh (23), which in 2018 benefitted some 74,903 workers.

The Framework Agreement we entered into with IndustriALL Global Union is a fundamental tool for promoting social dialogue and respect for the right to freedom of association and collective bargaining in our supply chain.

## 1.2. Living wages

Achieving living wages in the industry through worker empowerment and participation.

	LIVING WAGES		
SDGs	   		
	TARGETS	MILESTONES 2018	KPIs 2018
PROMOTING COLLECTIVE BARGAINING	Promote effective and fair collective bargaining.	Training for suppliers in India and Bangladesh. Seminars with IndustriALL European Trade Union in Romania and Bulgaria. Seminar with IndustriALL and the International Labour Organization (ILO) in Bulgaria.	86 suppliers and factories with 114,094 workers trained.
RESPONSIBLE PURCHASING PRACTICES	Training and awareness raising for internal purchasing teams.	Signing up to specific commitments in the framework of our participation in ACT (Action, Collaboration, Transformation), and the Memorandum of Understanding (MoU) signed with IndustriALL to promote the payment of living wages and responsible purchasing practices.	142 buyers trained and 107 individual awareness-raising meetings.
IMPROVED WORKING METHODS AND SYSTEMS	Programmes to improve working conditions for workers by means of improved factory management systems.	Lean Project in China, India, Portugal and Cambodia. SCORE programme in Turkey, China and Pakistan. Other improvement programmes in China and Argentina.	18 factories with 11,505 workers involved in internal programmes. Seven factories with 6,508 workers involved in the ILO's SCORE Programme.
COLLABORATION WITH STAKEHOLDERS	Promote the payment of living wages in the industry in collaboration with various stakeholders.	Active participation in the ACT initiative. Adherence to the Better Than Cash Alliance.	Two countries as the main focus of activities in collaboration with ACT: Cambodia and Turkey.
SUPPORT CAMPAIGNS	Demonstrate our political commitment to achieving living wages in the industry.	Support for the process of negotiating wages in Bangladesh.	306 factories with 536,934 workers in the Inditex supply chain in Bangladesh.

Our Code of Conduct states that all workers in factories must receive a living wage, understood as adequate remuneration that allows workers to cover their basic needs and the needs of their families. Its effective compliance is one of the main challenges facing the textiles industry. At Inditex we are committed to achieving this ambitious goal through a strategy structured around five priority areas. This strategy impacts the whole supply chain, although certain actions are targeted at particular countries we have identified as a priority.

To develop this strategy we have turned to our in-depth knowledge of the supply chain (which is a result of our Compliance Programme compiling detailed information on wages) and our teams in the clusters, who are in constant and direct contact with the main stakeholders, including trade unions, employers' organisations and governmental organisations.

At Inditex, we are aware that one company alone is not going to achieve living wages for all; rather, the task requires cooperation from many textile brands and other stakeholders. Our participation in the Action, Collaboration, Transformation (ACT) initiative is a cornerstone of our action in this sphere. In this context, Inditex adheres to the ACT definition of a living wage:

**“A living wage is the minimum income necessary for a worker to meet the basic needs of himself/herself and his/her family, including some discretionary income. This should be earned during legal working hour limits (i.e. without overtime).”**

Our living wage strategy is also linked to the activities we engage in as part of other *Workers at the Centre* programmes, in particular those concerning worker participation and responsible purchasing practices, since these are two of the main priorities of the strategy.






**BETTER THAN CASH ALLIANCE**

In 2018, we joined the Better Than Cash Alliance, an alliance of governments, businesses and international organisations whose objective is to promote the transition towards a digital economy worldwide. We believe that digitalization of the supply chain fosters the financial empowerment of workers and promotes transparency in transactions, factors that boost the development of our living wage strategy.

Moreover, the digitalization of wages and financial empowerment are strongly linked to the empowerment of women, given that such measures facilitate women’s inclusion in the formal economy and in financial decision-making. To put these principles into practice, we have begun to collaborate on the HERfinance initiative from BSR Bangladesh within the framework of our Women Empowerment Strategy in the Supply Chain.

 More information on page 121 of this Annual Report.

**1.2.1. Promoting collective bargaining**

Collective bargaining is a fundamental tool for improving labour conditions, including the payment of a living wage. Agreements between the parties involved through free and informed bargaining processes are essential to achieving real and sustainable progress. Thanks to our Framework Agreement with IndustriALL, Inditex is able to foster collective bargaining by imparting training programmes for workers and enabling them to freely elect their representatives. We must also highlight the purchase commitments developed for Cambodia by ACT to work towards the signing of a collective agreement in the country.

Geographic area	Factories in Inditex supply chain covered by collective agreements in 2018
Africa	45
America	33
Asia	78
Europe (non-EU)	19
European Union	2,031



We would like to highlight the following actions carried out in 2018:

- Training in Bulgaria and Romania. We participated with 21 suppliers (employing 4,152 workers) in seminars in January and November organised by IndustriALL Global Union and IndustriALL European Trade Union to strengthen trade union relations which, in turn, leads to improved working conditions and wages in the sector.

In Bulgaria, another seminar was organised in conjunction with IndustriALL and the ILO to raise awareness among suppliers of the benefits of collective bargaining and to

increase their knowledge of the Framework Agreement and the tools it offers.

- Training in India for 54 factories (employing 89,086 workers) to facilitate dialogue on freedom of association and collective bargaining.
- Managers and workers' representatives from 11 suppliers and manufacturers in Inditex's supply chain (20,856 workers) attended a training activity promoting social dialogue with IndustriALL Global Union and its local members.

 More information on page 102 of this Annual Report.

### | Fostering collective agreements: a commitment by everyone for everyone



## 1.2.2. Responsible purchasing practices

The link between purchasing practices and workers' labour conditions is a key aspect of achieving a living wage. Purchasing planning, pricing systems, delivery times and even the criteria used to assign orders to suppliers must be taken into account when creating a strategy of responsible purchasing practices.

Our Sustainability teams collaborate with purchasing teams and provide them with continual training to facilitate the payment of living wages. In 2018, some 142 members of our purchasing teams took part in training in this sphere, while 107 individual sessions were also held involving buyers from local teams.

in which we committed to ensuring that our Group's purchasing practices facilitate the payment of living wages. Thus, within the framework of ACT, in 2018 we designed five commitments in purchasing practices to support countries with national-level collective bargaining agreements between independent employers' organisations and freely elected trade unions.

Also connected to ACT, a Purchasing Practices Self-Assessment tool (PPSA) was created for those involved in the purchasing process with the aim of identifying the aspects that should be covered in purchasing practices guidelines. The questionnaire has served to identify and implement the aforementioned commitments and it will guide Inditex's action over the next year.

 More information on page 113 of this Annual Report.

### COMMITMENTS IN PURCHASING PRACTICES

- Provide training on best purchasing practices
- Communications and planning: Clarify the purchasing process for suppliers.
- Identify and isolate the labour costs of the product: Include and respect wages when negotiating a product.
- Fair pay: Suppliers are paid according to fair conditions previously agreed between the parties.
- Responsible disengagement: When we decide to stop working with a supplier for whatever reason, that disengagement must be achieved in a responsible way and with a view to minimizing its impact.

### IMPLEMENTATION IN INDITEX'S PRACTICES

- Continual training of purchasing teams.
- Fluid, two-way communication with suppliers.
- Consolidation of the use of pricing schemes in the purchasing process.
- Purchasing conditions in line with Inditex's Code of Conduct and Responsible Practices.
- Support and monitoring before ceasing to work with a supplier.



### 1.2.3. Improved working methods and systems

The working conditions of workers, from their health and safety to their wages – and even their satisfaction with their working environment – are directly influenced by the methods and production systems used by the factories where they work.

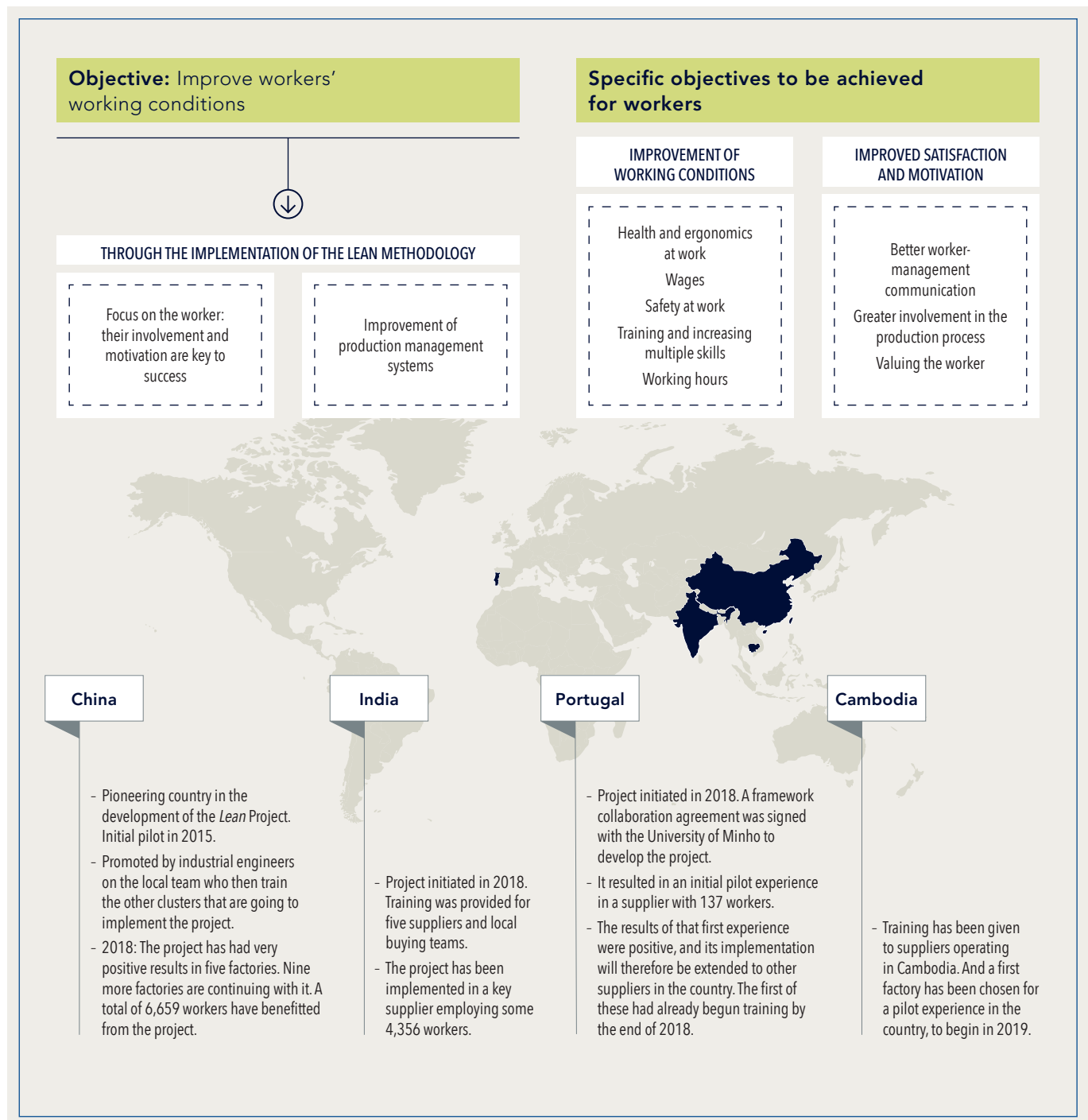
Our experience in this sphere has led us to propose internal and external programmes and projects

that benefit the factories themselves by improving their work organisation systems, as well as offering benefits to workers who are always at the centre of our initiatives.

#### Internal projects

Our main internal project to improve management systems and the organisation of production systems is the *Lean Project* developed by industrial and textile engineers from our Sustainability teams.

#### | Lean project

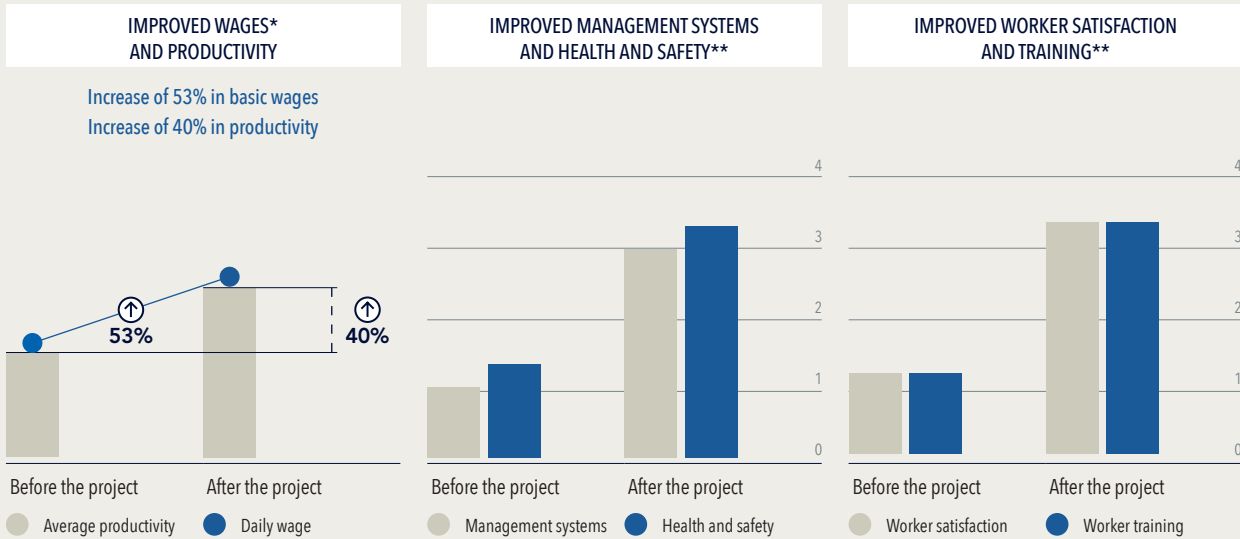




### Results of the Lean Project:

Example of results following the implementation of the project in a textiles factory in China

CHARACTERISTICS OF THE FACTORY	EXAMPLES OF LEAN TECHNIQUES AND TOOLS USED IN THE FACTORY
<ul style="list-style-type: none"> <li>- Period of the project's activity in the factory: from 2015 to 2018.</li> <li>- Number of workers: 337.</li> <li>- Processes performed by the factory: cutting, sewing, finishing.</li> <li>- Main sphere of action: sewing process.</li> </ul>	<ul style="list-style-type: none"> <li>- Modification and streamlining of production line layout. Line balancing.</li> <li>- Standardization of times and methods.</li> <li>- Improvement of the cleanliness and tidiness of the workplace using the so-called 5S methodology (sort, set in order, shine, standardize and sustain, by its acronym in Japanese).</li> <li>- Tools to improve communication between management and employees, and worker participation.</li> </ul>



\* Calculations of daily wages and their evolution are based on wages received by workers in the sewing department for eight hours' work. Neither overtime or bonuses were included in these calculations.  
 \*\* Factories' management systems, level of compliance with health and safety, worker satisfaction and level of training were assessed based on a system of indicators developed internally by Inditex.

Apart from the *Lean Project*, another noteworthy project in a Chinese factory (277 workers) in 2018 produced a detailed analysis of the factory's remuneration and working hours management systems. This analysis enabled a very detailed assessment of these parameters, as well as other aspects related to production planning or staff turnover. Improvements were implemented that are currently in a trial phase before being extended to other factories within China and in other countries.

Meanwhile, our Sustainability team in Argentina has collaborated with the National Industrial Technology Institute (Instituto Nacional de Tecnología Industrial, INTI) on a project to be applied to a factory (76 workers) to improve its production management systems. Inditex has worked with the INTI since 2014, collaborating on the evaluation and improvement of 42 factories.


## Participation on projects run by external entities:

We participate in the ILO's Sustaining Competitive and Responsible Enterprises (SCORE) Programme.

### I SCORE Programme – ILO

**Objective:**  
Improve productivity and working conditions in small and medium enterprises

**Implementation** via five modules:



**1**

Workplace cooperation: A foundation for business success

**2**

Quality: Managing continuous improvement

**3**


Productivity through cleaner production

**4**

Workforce management for cooperation and business success

**5**

Safety and health at work: A platform for productivity



**China**

- The programme has been implemented in two factories (with 1,323 workers).
- The Ethical Trading Initiative also collaborates on the project.
- We participated in SCORE regional meetings throughout the year.

**Turkey**

- In 2018, the five modules of the programme were successfully completed in four factories (employing 1,398 workers).
- The programme's character varies according to the country since it takes into account issues related to the human and labour rights of refugees.

**Pakistan**

- The ILO launched the programme in the country at the end of 2018.
- We are supporting the first steps of its implementation in a factory with 3,787 employees.

We collaborate with our suppliers and manufacturers on the improvement of their management systems and production organisation, which results in improved working conditions for their employees.

### 1.2.4. Collaboration with other stakeholders

Collaboration with other stakeholders is essential to fostering social sustainability in general and, in particular, to achieving living wages. In this sphere, the main initiative we are part of is Action, Collaboration, Transformation (ACT), which is promoted by international brands, manufacturers and trade unions that aspire to ensuring living wages are paid in the industry through collective bargaining. The central idea of ACT is to create a space for dialogue to foster agreements on wages and working conditions in the textile industry in each country.

The two countries where ACT's agenda has been most active in 2018 are Cambodia and Turkey, with the following activities:



**Cambodia**

- Communications with 115 suppliers to inform them about the ACT initiative, the importance Inditex gives to living wages, and the promotion of joint work on collective bargaining.
- Three days of meetings in September to get to know the collective bargaining process involving trade unions and employers' organisations in the country.
- Meetings on ACT and its work with relevant stakeholders in the industry to facilitate their participation and make progress on achieving the initiative's objectives.

**Turkey**

- Collaboration with IndustriALL and other brands on the introduction of ACT to the country. To this end, meetings have been held with government bodies.
- Training for suppliers of the ACT brands in November 2018 with a workshop on a tool to evaluate purchasing practices developed by the initiative.

### 1.2.5. Support campaigns

Another dimension of our activity is our participation in support campaigns. This is a way in which we can publicly demonstrate our individual commitment to a living wage and also in collaboration with other important entities.

In 2018 we supported wage negotiations in Bangladesh, which resulted in a raise in the minimum wage and adjustments to the various professional categories of workers in the textile sector. Inditex lent public support to the negotiations through legitimate trade union representatives including IndustriALL Bangladesh Council.

Inditex's work to support fair wages and collective bargaining in Bangladesh is structured around the following areas:

**SUPPORT FOR THE NEGOTIATING PROCESS**

Thanks to our Global Framework Agreement with IndustriALL Global Union, we are able to provide all workers in the supply chain a guarantee of the rights to freedom of association and collective bargaining.

Through ACT, IndustriALL Global Union, Inditex and other brands have established that Bangladesh is a priority country when it comes to the promotion of collective bargaining.

**PROTECTION OF WORKERS' REPRESENTATIVES**

Inditex has implemented various programmes among its suppliers in collaboration with IndustriALL Global Union to foster collective bargaining with freely elected workers' representatives.

**LONG-TERM COMMITMENT TO BANGLADESH**


As one of the first signatories of the Accord on Fire and Building Safety in Bangladesh in 2013, Inditex strengthened its firm commitment to using Bangladesh as a supplier country over the long term.

Bangladesh is one of Inditex's 12 supplier clusters. Our local teams work continually with our suppliers, reinforcing our commitment to the payment of a living wage, among other issues.

**FOSTERING RESPONSIBLE PURCHASING PRACTICES**

At Inditex, we prioritize supplier countries that have collective bargaining agreements in place.

We work with different stakeholders to promote purchasing practices that facilitate the payment of a living wage and the establishment of long-term relations with suppliers that respect the right to collective bargaining.

 More information on the Inditex website  
<https://www.inditex.com/en/our-commitment-to-people/our-suppliers/workers-at-the-center/support-for-wage-negotiations-in-bangladesh>



### 1.3. Responsible purchasing practices

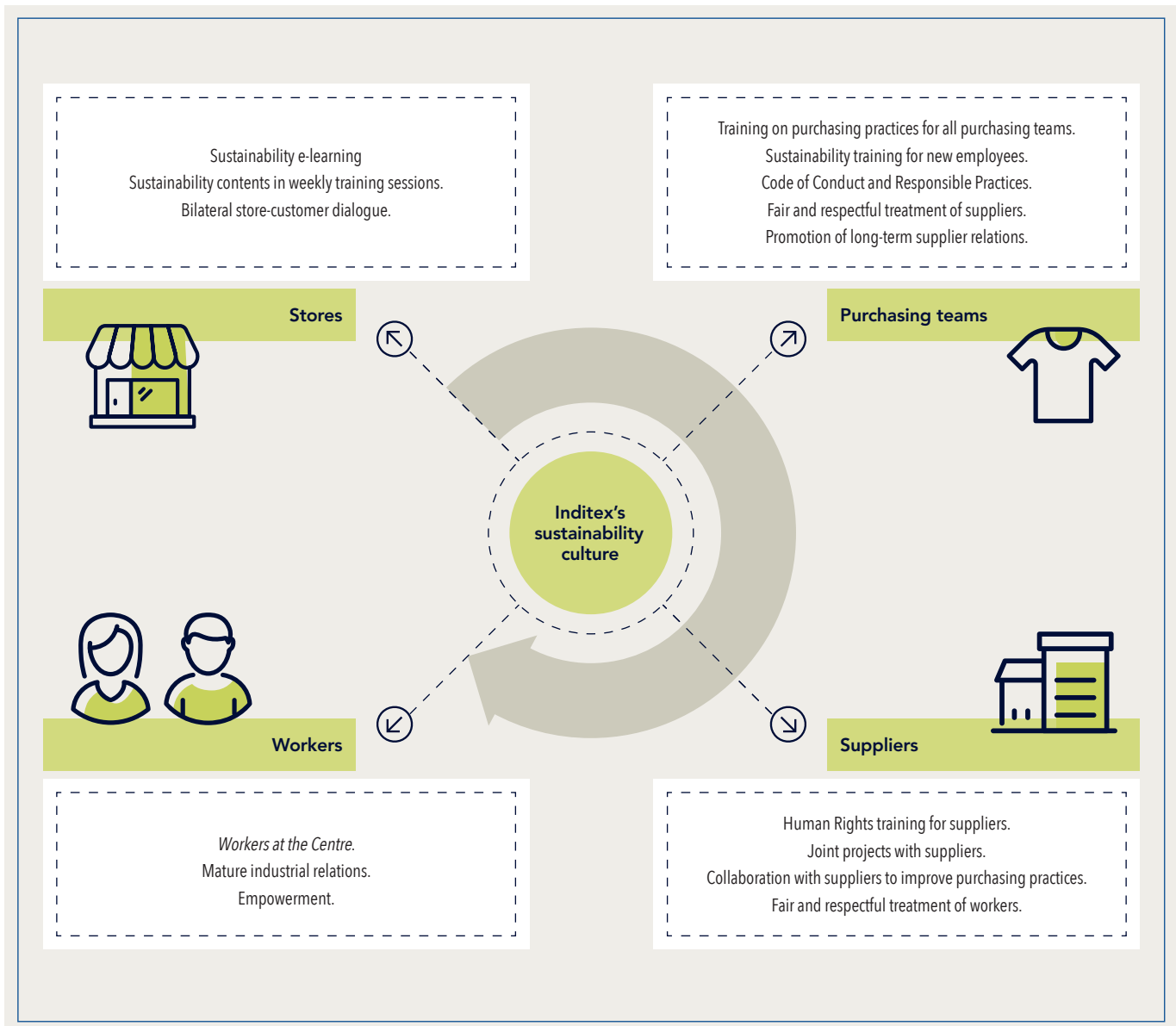
Linking of purchasing decisions to sustainability criteria to promote a positive impact on the supply chain.

	RESPONSIBLE PURCHASING PRACTICES		
SDGs	    		
	TARGETS	MILESTONES 2018	KPIs 2018
PARTICIPATION OF INDITEX'S INTERNAL TEAMS	Encourage a culture of responsible practices through training, awareness raising and alignment of functions between Inditex's teams.	Further training for purchasing teams both in head offices and in subsidiaries of Inditex in supplier countries. Inclusion of sustainability issues in employee training in different departments.	142 purchasers trained and 107 individual awareness-raising meetings. More than 105,000 employees with access to an online course on sustainability.
ENGAGEMENT WITH SUPPLIERS	Collaboration with suppliers on developing responsible purchasing practices and fostering cooperative relations.	Organization of meetings with suppliers and promotion of discussions on purchasing practices.	154 suppliers took part in training and meetings on purchasing practices. 11 Inditex suppliers took part in meetings with Action, Collaboration, Transformation (ACT).
COLLABORATION WITH THE INDUSTRY	Promote good practices in the industry that foster the payment of living wages.	Adherence to commitments in the framework of our participation in ACT to promote the payment of living wages and responsible purchasing practices. Participation in the working group on purchasing practices set out by the platform Industry Summit. Collaboration on a research project developed by the NYU Stern School of Business.	Commitments linked to the promotion of responsible purchasing practices.

One of the premises of our sustainability culture is that all of Inditex's team and their collaborators should own and assimilate responsible purchasing practices as an essential part of their activity.

Apart from focusing on tools for responsible management such as social , pre-assessment and traceability audits, and the joint management of sustainability with purchasing teams through internal IT systems, in 2018 our responsible purchasing practices strategy emphasized three priority areas: participation of Inditex's internal teams, engagement with suppliers and collaboration with the industry.

One of the premises of Inditex's sustainability culture is to assimilate responsible purchasing practices as an essential part of our activity.



### 1.3.1. Participation of Inditex’s internal teams

The integration of good environmental and social practices is at the heart of our approach to responsible purchasing. Awareness raising, training and alignment of the various teams involved are fundamental to achieving this.

#### Purchasing teams

We have expanded the training of our purchasing teams in 2018. Our Sustainability team has trained local purchasing teams in Bangladesh, India and Turkey. Meanwhile, we have also trained purchasing teams at head offices that had not yet received this training. A total of 142 buyers

were trained in responsible purchasing practices and sustainability criteria in 2018.

The training sessions use materials developed by Inditex with a first module entitled *PrINciples* and an advanced module, *INPractise*. Both have a strong interactive element and include simulations of real situations in supply chain management.

Apart from these training workshops, we also work to raise awareness among our teams as a fundamental part of the Sustainability team’s activity. During 2018, a total of 107 individual meetings were held with buyers to raise their awareness of this issue.

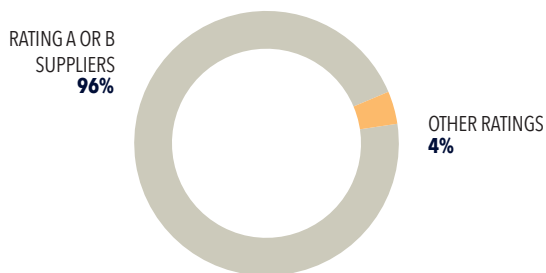
Our purchasing teams have become a landmark in the sector thanks to their collaboration on projects to enhance the promotion of responsible purchasing practices with



other brands and stakeholders in the industry, including participation in ACT workshops and meetings.

The training and awareness raising we undertake with our buyers, as well as our work to adjust systems so that commercial decisions are also based on sustainable criteria, are reflected in the way our buyers give preference to suppliers that achieve the higher levels of compliance in sustainability. That is why 96% of the purchasing carried out in 2018 involved suppliers with the highest rating in the social sphere according to Inditex's method (with an A or B rating), which are also the suppliers most likely to be suited to producing *Join Life* apparel.

### I Distribution of purchasing in 2018



### Other employees

The participation of all of our employees is key to ensuring that the whole business is aligned on issues of sustainability, a fundamental factor in the success of our responsible purchasing policy.

All new Inditex employees receive training on sustainability and on the positive impact of upholding responsible practices. New recruits to head offices participate in a *Welcome* session in which sustainability has a key role.

Participants have the chance to familiarize themselves with the Group's policies (such as its Code of Conduct for Manufacturers and Suppliers) and the range of processes linked to ensuring sustainability. The aim is for new recruits to understand how sustainability is connected to each area and see how their everyday activity can also have an impact on the sustainability of our supply chain.

Another example of how sustainability is integrated into our business culture is the inclusion of contents on sustainability on our online employee training platform, *On Academy*. This tool is available to more than 105,000 employees in 11 countries.

 More information on page 74 of this Annual Report.

Another training initiative from the environmental sustainability department entitled *Seedtraining* aimed to encourage employees in different areas to reflect on the environmental and social impact of their behaviour. A total of 2,810 employees participated in that training programme in 2018.

 More information on page 190 of this Annual Report.

### 1.3.2. Engagement with suppliers

We encourage active participation of suppliers in dialogue on responsible purchasing practices with the aim of raising awareness and setting an example in an area that is critical to the sustainability of our business and, indeed, of the industry in general. In this respect, we promote long-term relations with our suppliers, incorporating them into our supply chain in a responsible manner.

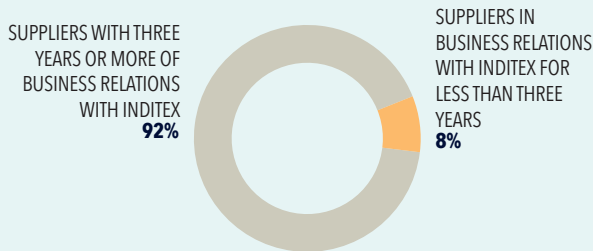


## Promotion of long-term supplier relations

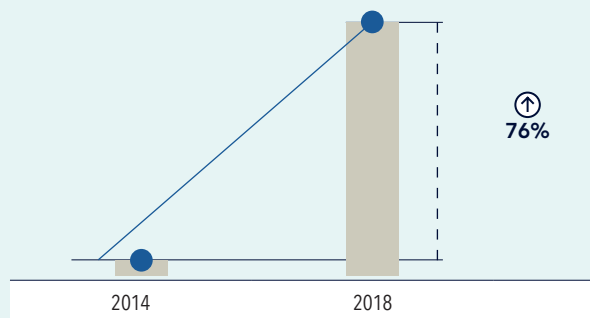
Inditex acknowledges the value of promoting long-term supplier relations. That is why we collaborate with our suppliers to ensure their ongoing training and improvement, working together to achieve solid industrial relations that reinforce the resilience of the supply chain alongside the resilience of the business.

Our promotion of long-term supplier relations is reflected in the fact that 92% of purchasing in 2018 involved suppliers with whom we have been doing business for three or more years. Our suppliers grow with us, increasing their production for Inditex year after year.

DISTRIBUTION OF PURCHASING IN 2018



EVOLUTION OF TOTAL PRODUCTION ACCOUNTED FOR BY SUPPLIERS IN BUSINESS RELATIONS WITH INDITEX FOR THREE OR MORE YEARS, 2018

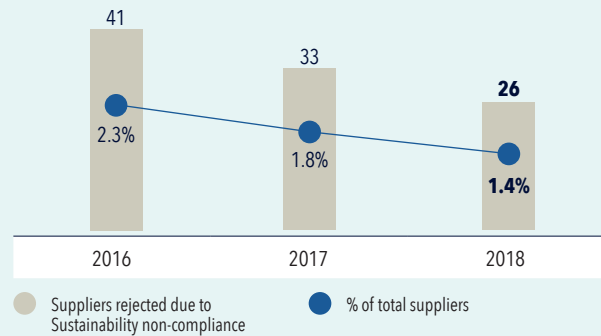


Thanks to our local Sustainability teams and to tools like the Framework Agreement with IndustriALL, our supplier relations are stronger and more long-lasting.

At Inditex we guarantee that responsible purchasing practices are a part of all of our supplier relations from start to finish. In line with the OECD Due Diligence Guidance, we only cease to work with a supplier when all other avenues for mitigating negative impacts have been exhausted. Ending the relationship with a supplier that does not comply with our sustainability requirements must always be a last resort.

During recent years, and in line with our commitment to exercise responsible disengagement from suppliers, not only has there been a decrease in the number of suppliers rejected due to a failure to comply with sustainable criteria, but also these suppliers have come to represent a smaller percentage of the Group's total suppliers.

EVOLUTION OF REJECTED SUPPLIERS DUE TO NON-COMPLIANCE WITH SUSTAINABILITY



Some 92% of purchasing in 2018 involved suppliers with whom we have been working for three years or more.



Apart from establishing stable relationships with suppliers, it is essential to set an example and encourage them to adopt responsible practices in their business management, as well as in the factories they work with. We have involved suppliers in purchasing practices activities to increase their awareness, which has also allowed us to obtain valuable information to optimize our own practices.

For example, in view of the purchasing practices commitments undertaken by the brands involved in the ACT initiative, we consulted suppliers in various countries. Meanwhile, suppliers also took part in a pilot survey to get to know their opinions and take them into account when planning the initiative's activities. They were consulted on the development of tools to support responsible practices, including a costing module that would consider all labour costs.

We also organised various roundtables and training sessions on purchasing practices with 154 key suppliers. And we collaborated on various sessions involving suppliers in Turkey, Cambodia and Hong Kong that were organised within the framework of ACT.

### 1.3.3. Collaboration with the industry

Collaboration with other brands and stakeholders within the sector continues to be one of Inditex's main lines of work when it comes to responsible purchasing practices.

Consequently, we have taken an active role in various initiatives and research projects to develop and promote best practices in this sphere.

All the brands that form part of ACT have undertaken to work in a global way to improve their purchasing practices. As part of this commitment, Inditex has collaborated with different working groups to identify the priority areas where it should focus its improvements to subsequently put those into practice.




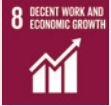

 More information on page 108 of this Annual Report.

Inditex is a member of other platforms along with other collaborating brands: these include Industry Summit, which aims to improve working conditions, achieve a more resilient supply chain and increase the transparency and accountability of all parties involved. One of Industry Summit's specific objectives is to foster responsible purchasing practices through research and innovation. Inditex collaborates with the working group created for this purpose.

In 2018, Inditex collaborated with the NYU Stern School of Business on an innovative project to develop social indicators related to the purchasing practices of companies, specifically targeted at investors. The project aims to facilitate socially responsible investment, thereby improving the response to investors' growing concern and demand for transparency in the sphere of corporate social responsibility when making their investment decisions.

## 1.4. Women empowerment

Guaranteeing equality for women and promoting their empowerment within the supply chain.

	WOMEN EMPOWERMENT		
SDGs	   		
	TARGETS	MILESTONES 2018	KPIs 2018
HEALTH	Guarantee access to health services and promote women's health, and in particular reproductive health and feminine hygiene.	Project with Medicus Mundi in Morocco. Sakhi Health project in India.	13 factories with 9,414 workers.
PROTECTION	Preventing and contributing to the eradication of discrimination, harassment and abuse in the workplace	Sowbhagyam project in India. Sakhi Worker Wellbeing project in India.	Five factories with 6,800 workers. Awareness raising on hiring practices for 266 agents; 6,407 schoolchildren trained. Awareness raised among 12,727 parents on labour rights.
EMPOWERMENT	Provide women with the tools they need to actively participate in the working environment, improving the quality of life of women, men, children, families, communities and society in general, and contributing to the construction of solid and fair economies.	Sakhi Women Empowerment project in India. MIG SCORE project from the International Labour Organization (ILO) in Turkey. BSR's HERFinance project in Bangladesh.	Eight factories with 8,332 workers.

Inditex's Women Empowerment Strategy in the Supply Chain was approved in 2017. Since then, we have made progress that has allowed us to encompass a greater number of countries and initiatives. One of our guiding principles is to act in a global way, always taking into account the real situation and social and cultural norms of

each country in our supply chain. We also work to ensure that everything we do has its foundations in SDG 5, which is dedicated to gender equality and the empowerment of women and girls. Based on this SDG, we have defined three pillars within this strategy: health, protection and empowerment.



Based on SDG 5, which is dedicated to gender equality, we have defined the three pillars of our Women Empowerment Strategy in the Supply Chain: health, protection and empowerment.



### 1.4.1. Health



#### Programme with Medicus Mundi

In 2014, we initiated a project in Morocco in collaboration with the NGO Medicus Mundi Sur to improve the social and health situation of textile workers. A total of 10 factories (employing 6,733 workers) have participated in the programme. The main activities that took place in 2018 were as follows:

##### MEDICAL CAMPAIGN

Medical campaign to prevent occupational diseases (with the detection of chronic, pulmonary, ophthalmic and musculoskeletal conditions) in collaboration with the polyclinic of the National Social Security Fund (Caja Nacional de Seguridad Social, CNSS).

**200 workers participated in blood testing campaigns, of which 154 were women.**

##### AWARENESS RAISING ON HEALTH RIGHTS

Awareness-raising sessions on the prevention of occupational risks and diseases, and strengthening workers' knowledge of their rights, including their sexual and reproductive rights.

**178 workers trained, of which 143 were women.**

##### AWARENESS RAISING ON THE PREVENTION OF COMMON DISEASES

This activity aims to prevent common diseases that can be aggravated by working conditions. Sessions are organised in businesses by Health and Safety Committees and awareness-raising materials are distributed to participants.

**88 beneficiaries, of which 65 were women.**



### 1.4.2. Protection



#### Sowbhagyam project

The aim of this project developed in India's Tamil Nadu state is to raise awareness and educate communities, employment agencies and other stakeholders on labour rights and avoiding the use of employment practices that abuse women's rights. The project, which was initiated in 2013, includes training sessions given by the local NGO SAVE to all members of the community. During this sixth year of its implementation we have focused on four priority areas:

- Strengthening commitments with employment agents and creating a guide to best practices: 266 agents working to optimize recruitment systems.
- Consolidating surveillance committees in towns.
- Improving the programme of volunteering in the community, a key component of the project's sustainability. A total of 921 volunteers have been trained to date.
- Continuing awareness-raising activities in schools and with groups of teenagers. A total of 6,407 students reached.

A total of 12,727 parents were also made aware of the importance of their children receiving a full monthly wage.

More information on pages 124 and 213 of this Annual Report.



## Promotion of human and labour rights in spinning mills in southern India

Sumangali is an abusive employment practice detected at the start of the 1990s in spinning mills in the state of Tamil Nadu (southern India) that mainly affects young workers. Inditex's response to prevent this practice is based on a three-dimensional approach encompassing the community, supply chain and policy changes.

The first step was a study of the supply chain in Tamil Nadu. While the internal part of the study indicated that none of the factories producing garments for Inditex engaged in this practice, the external parts of the study demonstrated that the situation was prevalent in the area.

In line with the first dimension of our approach, in 2013 we launched the Sowbhagyam Programme in conjunction with a local expert partner, SAVE (Social Awareness and Voluntary Education), to create a solid, successful and replicable participatory model to prevent this practice.

The other two dimensions were addressed through our commitment to the Ethical Trading Initiative (ETI) and Amsterdam Coalition (AMCO), respectively. With ETI we collaborated on the Nalam Programme, which trained workers in spinning mills on their labour and health rights, grievance mechanisms, the prevention of harassment in the workplace, and so on. To date, the programme has reached 39 factories with 19,506 workers. We also participate in ETI's Tamil Nadu Multi-Stakeholder Programme, in which we are also members of the local advisory board.

We are also founding members of AMCO, which was created in 2015 by different brands to promote changes to policies in India so as to guarantee responsible labour practices with a special emphasis on spinning mills in the south of the country. The coalition has engaged in discussions with the government and collaborated with the Confederation of Indian Industry (CII) to achieve this objective.





### 1.4.3. Empowerment

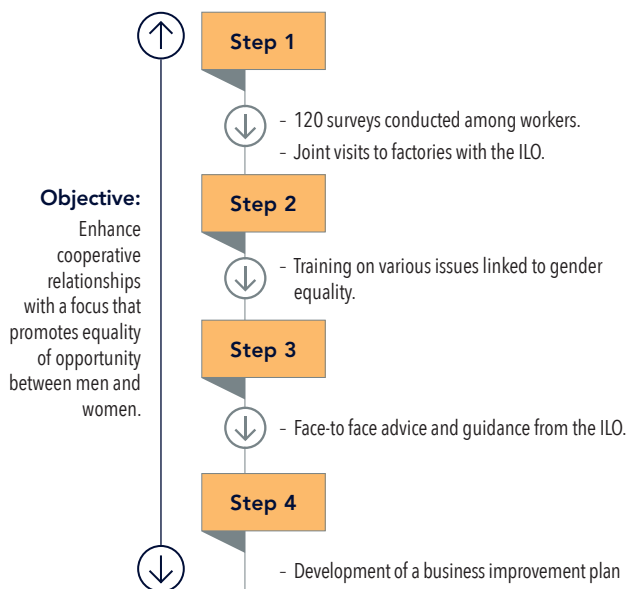


#### MIG SCORE Programme (ILO)

In 2018, the ILO launched a new programme to promote gender equality. The MIG SCORE Programme encompasses small and medium enterprises and organisations in the social and solidarity economy. Turkey was the country chosen for the official programme launch in October 2018, and Inditex's supply chain was the first target selected for its implementation in the Turkish textile sector with four participating factories employing 635 workers. The programme was implemented in four stages over the course of eight months. The first two stages were completed in 2018.

- Transforming enterprises into better workplaces for employees, regardless of their sex, age, race, physical appearance, ethnic origins, culture, political leanings or religion.
- Generating data on the conditions experienced by workers and training enterprises to achieve better management of gender equality.

This programme not only benefits workers but also businesses as a whole, helping them to achieve greater commitment from their workers, increase productivity and improve the working environment.



#### HERfinance Digital Wages Programme (BSR)

In 2018 we began to collaborate with the *HERfinance Digital Wages Programme* in Bangladesh in two of the factories in our supply chain, reaching a total of 4,349 workers. This programme, developed by BSR, promotes the digitalization of wage payments and the financial inclusion of factory workers. The programme provides workers with a financial education on savings, budgeting, and financial planning, while also promoting the digitalization of wage payment through mobile financial services.

The programme has many benefits for women since it provides them with the knowledge they need to be included in the formal financial sector. It also allows women to influence the financial decisions taken in households, which benefits the family as a whole.

The project's objectives include:

- Providing training and guidance on the implementation of best practices in gender equality and achieving improved working conditions for women and men while also improving business productivity.

Apart from its implementation in these two factories, as part of the programme and in conjunction with BSR a training activity was held to introduce the *HERfinance* programme to more suppliers in our supply chain in Bangladesh, raising their awareness of the benefits of digitalizing wage payments.

## SAKHI – A cross-cutting project

The *Sakhi* project, which gets its name from the Hindi word for “friend”, was developed over the year in three parts – *Sakhi Health*, *Sakhi Worker Wellbeing* and *Sakhi Women Empowerment* – to tackle these three fundamental aspects of the situation of women in India’s supply chain. The majority of these women come from rural areas offering limited economic and educational opportunities. Their work can affect their health and wellbeing, so it is essential that special projects are

implemented that address the root causes of the specific problems they face.

*Sakhi* adheres to the *train the trainer* model in which people are trained so that they can go on to train other workers in their factory. The project is based on the creation of models that can be replicated so that the factories themselves can sustain the project over the long term.



Sakhi Health

**OBJECTIVE:**

Train workers on health, nutrition, hygiene, reproductive health, ergonomics and so on.

Thanks to this programme, workers have sufficient information to improve their health and that of their families.

**COLLABORATING ENTITY:**

St. John’s National Academy of Health Services

**MAIN ACTIVITIES IN 2018**

The project has been implemented in three factories, benefitting some 2,681 workers.

Three training activities in collaboration with St. Johns National Academy of Health Services for 57 trainers.



Sakhi Worker Wellbeing

**OBJECTIVE:**

Support and train workers and implement systems that foster an equitable environment in which workers can develop their full potential.

The project has a special focus on migrant workers to achieve greater wellbeing throughout the factory.

**MAIN ACTIVITIES IN 2018**

The pilot phase of the project was implemented with five factories, benefitting 6,800 workers.

Action in four main areas:

- |  |   |
|--|---|
| <p><b>1</b> Review and reinforcement of policies linked to worker wellbeing: social security, prevention of sexual and workplace harassment, complaints handling and reporting, and so on.</p> | <p>→ Creation of policies to combat sexual harassment. Training for 3,077 workers on social security contributions.</p> |
| <p><b>2</b> Review and reinforcement of management systems to prevent sexual and workplace harassment.</p>   | <p>→ 52 members of internal complaints committees trained. Creation of worker welfare committees.</p>                   |
| <p><b>3</b> Training of supervisors in empathy and managing labour relations.</p>  | <p>→ 84 supervisors trained.</p>  |
| <p><b>4</b> Training for workers and educators in areas such as the prevention of sexual harassment. Training for migrant workers on integration and culture shock.</p>                        | <p>→ 2,840 workers trained. 83 educators trained. 33 migrant workers trained.</p>                                       |



Sakhi Women Empowerment

**OBJECTIVE:**

Encourage women workers to acquire skills, abilities and knowledge that will help them think and act in an independent way so that they can exercise their rights, achieving greater gender equality.

Sakhi Women Empowerment provides support to the whole of the Sakhi project, to achieve a greater range of benefits.





**MAIN ACTIVITIES IN 2018**

- The project was developed in two factories, benefitting 3,348 workers.
- Two specific training activities for women in factories on matters such as communication or self-confidence.
- 22 educators trained.



## 1.5. Occupational health and safety

Commitment to safe and healthy environments throughout the supply chain.

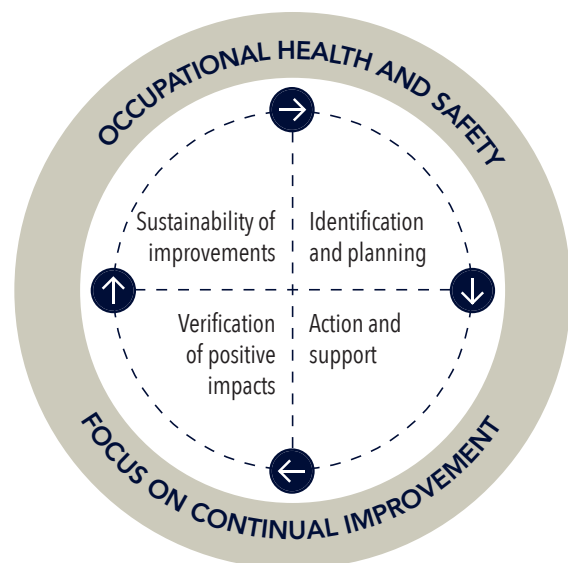
 OCCUPATIONAL HEALTH AND SAFETY			
SDGs	  		
	TARGETS	MILESTONES 2018	KPIs 2018
IDENTIFICATION AND PLANNING	Identify priorities, risks and opportunities to plan specific action.	Training activities in India, Pakistan and Bangladesh. Evaluations of new manufacturers in Bangladesh.	10 factories with 43,290 workers. 31 evaluation visits to 29 factories with 50,807 workers.
ACTION AND SUPPORT	Implementation of corrective measures in the sphere of occupational health and safety.	Improvement programme in Portugal. Support for the complaints mechanisms of the Bangladesh Accord. Structural assessments in Bangladesh. Support programme for occupational health and safety committees in Morocco.	64 factories with 12,395 workers. Management of 60 communications received through the Accord.
VERIFICATION OF POSITIVE IMPACTS	Review and evaluation of the positive impacts achieved through the programmes.	Monitoring of Bangladesh Accord corrective action plans. Continual health and safety improvement programmes in Morocco.	691 verification visits to 207 factories employing 421,632 workers.
SUSTAINABILITY OF IMPROVEMENTS	Integration of corrective actions into supplier strategies.	Programme to develop health and safety management systems in India. Training for occupational health and safety committees in Morocco.	49 suppliers with 54,096 workers.

The health and safety of workers is a key element of our strategy to ensure the sustainability of our supply chain.

In 2018, we implemented initiatives and programmes designed to meet the needs identified and generate a positive impact on the ground thanks to the experience of our local teams, close collaboration with stakeholders, and objective, quantifiable information from our Compliance Programme.

We also carry out regular special audits of occupational health and safety. The audits review health and safety conditions, risk prevention and the structural and fire safety of installations. A total of 897 special audits took place in 2018.

Programmes in this area are focused on continual improvement, with reference to the most important international management systems such as ISO 45001:2018. The system defines four phases of action in risk and opportunities management in occupational health and safety. The end goal is occupational risk prevention and improved working environments.





### 1.5.1. Identification and planning

Below are highlighted the awareness-raising, training and evaluation activities that took place in 2018.

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2018
Risk assessment training	India	Training for heads of health and safety on risk identification and assessment and improvement of internal capabilities, since 2016.	Five training sessions with four suppliers (8,498 workers).
Training and awareness raising on occupational health and safety requirements	Pakistan	Training imparted by the International Labour Organization (ILO) within the framework of the International Labour and Environmental Standards Application in Pakistan's Small and Medium Enterprises (ILES). The training aims to provide guidance on the use of tools for risk assessment and corrective action planning through cooperation between management and workers.	Six suppliers (34,792 workers).
Assessment of structural, fire and electrical safety for new suppliers and manufacturers	Bangladesh	We carry out technical assessments of structural, fire and electrical safety to calculate the level of risk in facilities during the process of incorporating new suppliers and manufacturers.	31 evaluation visits to 29 factories with 50,807 workers.

### 1.5.2. Action and support

Corrective actions are implemented in conjunction with our Sustainability teams and, occasionally, with the support of external organisations that have proven experience:

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2018
Improvement of occupational health and safety conditions in the supply chain	Portugal	Programme in collaboration with the <i>Autoridade para as condições do trabalho</i> , IndustriALL Global Union, <i>FESETE</i> , <i>SINDEQ</i> and the <i>University of Minho</i> . 45 suppliers trained on health and safety established corrective measures for the factories they work with. Every month, they send evidence of the progress made and receive support from our team to implement these measures.	55 factories (4,067 workers) with corrective action plans.
Support and direct involvement in Accord complaint and reporting mechanisms	Bangladesh	As a signatory member of the Accord on Fire and Building Safety in Bangladesh, Inditex is committed to improving health and safety in textile factories. This legally binding agreement allows workers to voice their health and safety concerns through complaint and reporting mechanisms in a confidential way.	Management of 60 communications.
Detailed evaluation of the structural state of factories	Bangladesh	We continue to collaborate with an engineering consultancy on the details assessment of the structural state of buildings and any relevant corrective action.	Two companies with 2,877 workers.
Support and guidance for health and safety committees	Morocco	We support health and safety committees with tasks such as drafting annual action plans and document review in conjunction with <i>Medicus Mundi Sur</i> and the <i>Association Marocaine de la Santé au Travail</i> (AMSAT). This work is aligned with the women empowerment programmes, which is also implemented with <i>Medicus Mundi Sur</i> in the country.	31 members of seven suppliers (employing a total of 5,451 workers).



More information on pages 119 and 213 of this Annual Report.

### 1.5.3. Verification of positive impacts

The review and evaluation of positive impacts carried out by our teams enables our suppliers to implement consistent solutions.

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2018
Monitoring of compliance with Accord corrective action plans	Bangladesh	Accord engineers inspect factories and implement corrective action plans to improve structural, fire and electrical safety. Our engineers verify and monitor the correct implementation of the measures applied.	674 monitoring visits and 184 meetings with 190 suppliers (413,387 workers).
Health and safety assessments, continual improvements and training	Morocco	The programme, which began in 2015, was updated in 2018. The new methodology verifies in detail the progress made by factories visited in the past to ensure the consistency of corrective action and guarantee their progress. Once the verification has taken place, the results and measures are explained to the suppliers..	17 factories subject to the new method (8,245 workers). 12 meetings.

## Renewal of the Accord on Fire and Building Safety in Bangladesh

In 2013, Inditex was one of the first to sign the Accord on Fire and Building Safety in Bangladesh (better known as the Accord). The Accord is a pioneering agreement involving more than 200 international brands, two global trade unions and eight local trade unions, the International Labour Organization and the business sector in the country in the process to improve health and safety conditions in the textiles industry.

In 2018, we signed the 2018 Transition Accord, which renews the commitment that began in 2013 and that continues to be legally binding. In doing so, Inditex and the rest of the signatories contribute to the

sustainability of the industry by maintaining a long-term supply relationship with Bangladesh and they also provide technical and financial support during the corrective action planning set out in the framework of the Accord at the over 1,600 factories it covers.

During 2018, our local team of engineers and experts has supported the work of the Accord through 674 technical visits to factories and 184 meetings with suppliers and manufacturers. During them, technical assistance has been provided to the factories in our supply chain in order to make implementing the corrective action plans determined by the Accord easier.



**Legally binding agreement** between brands and trade unions.



**Independent inspections** of structural, fire and electrical safety.



**Training programme** for health and safety committees.



**Grievance mechanisms** for health and safety



Commitment from brands to ensure that remediation is complete and financially viable in the factories covered by the Accord.



Inspection reports and **Corrective Action Plans** made publicly available.



**Transition of the functions** of the Accord to a national regulatory body under the International Labour Organization criteria.

### 1.5.4. Sustainability of improvements





On many occasions, it is necessary to raise awareness among management and workers' representatives in order to integrate improvement plans into our suppliers' strategies. To this end, specific initiatives have been created to integrate occupational health and safety into business management systems so that the focus on continual improvement is fully established among suppliers.

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2018
Training on the development of health and safety management systems	India	Training targeting representatives of management from Inditex suppliers. The training involved safety management systems, the safety of machinery and group activities, along with practical case studies.	41 suppliers with 48,263 workers.
Training and awareness raising for health and safety committees	Morocco	Training sessions on occupational risk in the sector, disease prevention and healthy lifestyles were organised for members of occupational health and safety committees in collaboration with <i>Medicus Mundi Sur</i> and the <i>Association Marocaine de la Santé au Travail (AMSAT)</i> .  This work is aligned with the women empowerment programme which is also implemented with <i>Medicus Mundi Sur</i> in the country.	25 members of health and safety committees in eight suppliers (with 5,833 workers) received training.

More information on pages 119 and 213 of this Annual Report.

## 1.6. Protection of migrants

### Protection of the rights of migrant workers in the supply chain.

 PROTECTION OF MIGRANTS			
SDGs	  		
	TARGETS	MILESTONES 2018	KPIs 2018
PREVENTION AND DETECTION	Evaluate all factories with a special focus on migrant workers.	Carry out social audits to detect any improper situations.	1,193 social audits in Turkey. 1,350 social audits in China.
TRAINING AND AWARENESS RAISING	Training for factory managers and workers to prevent all forms of discrimination and exploitation and promote integration.	Programme with United Work in Turkey. Programme with the Refugee Support Centre (MUDEM) in Turkey. Programme with the Ethical Trading Initiative (ETI) in China.	41 factories with 6,263 workers.
REMEDATION	Offer remediation, protection and individual guidance to migrants who need it.	Collaboration with the Refugee Support Centre (MUDEM) in Turkey to create individual remediation plans.	140 individual remediation plans.
INTEGRATION	Achieve total integration of migrant people both in the labour sphere and in communities.	Collaboration with the International Labour Organization (ILO) on an integration programme making use of mentors from factories themselves.	Nine factories with 1,605 workers.

Every year, millions of people that are forced to leave their place of origin can find themselves in a vulnerable situation due to their migrant status, both at work and in their personal lives. At Inditex, we uphold a policy of zero tolerance for any kind of exploitation in the supply chain, in particular in the case of migrant workers, as stipulated in our Code of Conduct.

Our work to protect migrants impacts the whole supply chain, although each programme is adjusted to suit the real situation of each country, since no two migratory flows are alike. Although the major challenges faced by migrants and refugees may be similar, each geographical region has its own characteristics. For example, Turkey is one of the main receptor countries in Europe, in particular for refugees from Syria due to the violent conflict happening in that country. In the case of China, migratory flows have different characteristics, since they are internal, from rural areas to more industrialized provinces.

At Inditex, we have joined forces with different stakeholders in the supply chain, from suppliers and manufacturers to other brands, governments and organisations. We are members of the platforms Tent Partnership for Refugees and the Refugee Working Group, which is driven by the Fair Labour Association (FLA) in Turkey and which aims to seek common solutions and areas of cooperation to promote appropriate labour practices to migrants.

Also in Turkey, we participate in the Human Rights group of the Ethical Trading Initiative, which places a strong emphasis on the protection of refugees.

Inditex also collaborated with the ILO on the protection of migrants by virtue of the public-private agreement signed in 2017 to strengthen and align policies to provide assistance and protection to migrant workers in Brazil (PPP ABVTEX-ABIT-Zara Brasil). Also, Inditex joined a pilot programme from that organisation for the integration of refugees in Turkey in 2018.

Migrant protection is also a part of our social action programmes, including the Chair in Forced Migrants and Refugees created by Inditex and Comillas Pontifical University.

 More information on page 205 of this Annual Report.

With the aim of guaranteeing respect for the human and labour rights of migrants in the supply chain, our action encompasses four complementary spheres: prevention, awareness raising and training, remediation and integration.

 More information on page 215 of this Annual Report.

At Inditex, we uphold a policy of zero tolerance for any kind of exploitation in the supply chain, in particular in the case of migrant workers.

### 1.6.1. Prevention and detection

During our audits we verify labour conditions in a detailed way and with a special emphasis on migrant and refugee workers. Our social auditing method covers various issues in order to assess the working conditions of migrants and detect any situation in which they are exploited or discriminated against.

The training of our internal teams is also fundamental in this sphere.

In this sense, it is worth highlighting that Inditex has developed a form in different Arabic dialects in Turkey

–since the majority of migrants arriving in the country use one of those dialects– to more efficiently verify the conditions experienced by migrants and refugees, given that their ability to express themselves in Turkish may be insufficient, making it difficult to detect potential situations of discrimination or inadequate labour conditions.

### 1.6.2. Training and awareness raising

Raising awareness among suppliers and workers is key when it comes to preventing and/or remedying situations of exploitation or discrimination. We can highlight the following programmes from the year 2018:

**PROGRAMME WITH UNITED WORK**

In 2018 we signed an agreement with United Work to collaborate on refugee integration in the workplace and promote appropriate labour practices, as well as raising awareness among refugee workers about their rights and training them on practical issues that will facilitate their integration.

COUNTRY	FACTORIES INVOLVED	REFUGEES TRAINED
Turkey	38 (5,041 workers)	211

**TRAINING PROGRAMME WITH THE REFUGEE SUPPORT CENTRE (MUDEM)**

We have embarked on a joint programme with the Refugee Support Centre (MUDEM) which has the principal aim of raising awareness to promote the integration of migrants and refugees, and eradicate all forms of discriminatory practice.

COUNTRY	FACTORY INVOLVED	REFUGEES TRAINED
Turkey	1 (44 workers)	10

**PHASES OF THE PROGRAMME:**

- Perform a survey of all workers. → Training on workers' and refugees' rights, cultural differences and integration.
- Interactive training with group activities and discussions. → Perform a new survey to evaluate the results of the training.

**ETHICAL TRADING INITIATIVE TRAINING PROGRAMME**

In 2018 we participated in a pilot programme developed by the Ethical Trading Initiative in China to train managers and middle management in factories on the management of risks associated with involuntary work. Due to their vulnerable situation, migrant workers can be more susceptible to suffering this kind of practice, which Inditex does not tolerate.

The training, which is given via a digital tool, aims to familiarize management with a range of preventive measures to avoid situations of involuntary labour.

COUNTRY	FACTORIES INVOLVED
China	3 (1,222 workers)

### 1.6.3. Remediation

Whenever situations are detected that do not respect migrant or refugee rights, we implement remediation plans. These plans are of particular importance in Turkey, where we have been collaborating with the NGO Refugee Support Centre (MUDEM) since 2015.

The creation of these plans requires detailed study to offer a solution adapted to each particular situation. In this respect, MUDEM and Inditex collaborate to offer assistance to workers and their families to regularize their employment status in Turkey. They are also offered Turkish language courses and translation of the documents

needed for their adaptation: regulations, procedures, aspects of health and safety, and so on. In 2018, a total of 140 guidance and remediation plans were implemented in Turkey with an impact on 149 people.

### 1.6.4. Integration

Apart from respect for the human and labour rights of migrant workers, we also believe that migrants should be supported in their integration in their workplace, personal life and the community. That is why in 2018 we participated in a pioneering programme from the ILO in Turkey to promote the integration of refugees in different sectors.

#### INTEGRATION PROGRAMME WITH THE ILO

Volunteers from among the workforce in participating factories are trained as mentors or buddies for migrant workers, specifically from Syria. These buddies will engage in leisure activities with their migrant counterparts outside the workplace. Buddies assist their migrant counterpart with Turkish language and cultural issues in a more natural way, outside the factory, to foster their integration not only in the workplace but also in society.



COUNTRY



FACTORIES INVOLVED

Turkey






9  
(1,605 workers)





## 1.7. Training and awareness

Sharing a culture of sustainability with all parties involved in the supply chain.

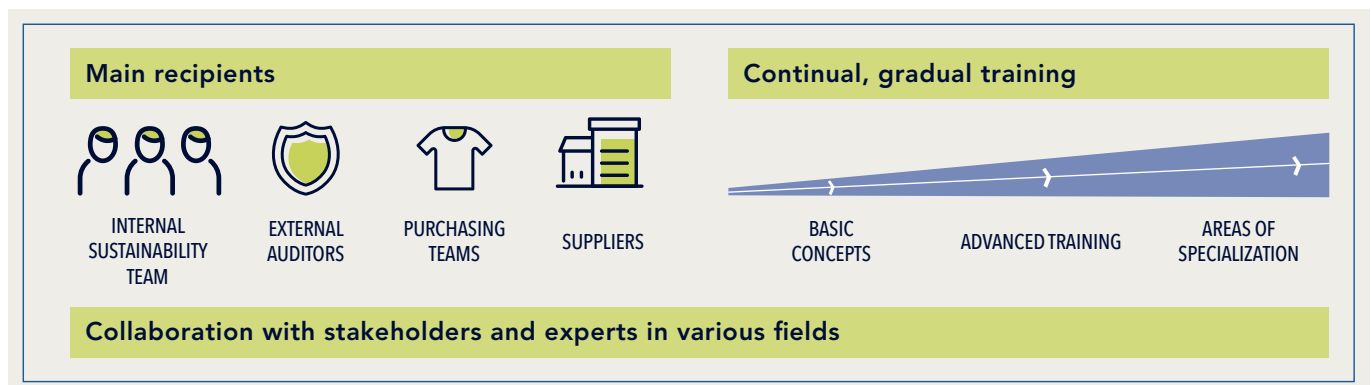
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SDGs	   																			
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Training and capacity building are fundamental factors in advancing on our strategy to foster the social sustainability of the supply chain. They allow all stakeholders to share knowledge and apply best practices at all levels.

Each training activity is adapted to its target audience and is accompanied by great efforts in the sphere of

innovation. For example, in China and Bangladesh, training programmes are developed for factory workers and managers through digital tools in collaboration with the Ethical Trading Initiative. As in the majority of activities we develop in all spheres, we collaborate with international organisations with expertise in a range of fields.

### | Social Sustainability training in Inditex





Training on the programme principles and on continual improvement processes, as well as analysis of the root causes of non-compliance.



Advanced training on Human Rights and due diligence processes.



Completion of masters and postgraduate programmes in subjects such as health and safety, labour legislation or social security at different universities.



Six internal auditors accredited in standard SA 8000.



Five internal auditors accredited as verifiers.



Expert training in communications skills, conflict resolution, and team management.



Improved auditing techniques: interview techniques, investigation into the root causes of discrimination, auditing with a gender perspective, and so on.

### 1.7.1. Sustainability teams

At Inditex, we consider the continual training of our teams to be a fundamental issue, allowing us to make progress with our sustainability strategy while training external auditors, purchasing teams and suppliers.

Our internal teams are characterized by their multidisciplinary nature, but with the common ground of social sustainability. Our teams include qualified social auditors, Human Rights experts and other technical specialists. The members of Inditex’s internal auditor team are accredited by Social Accountability International (SAI) as auditors able to verify compliance with the SA8000 standard, which is based on the Conventions of the International Labour Organization, the United Nations Universal Declaration of Human Rights, and the International Convention on the Rights of the Child, among others.

In 2018, a total of 47 members of our Social Sustainability team were trained by external organisations including:



Training activities held among the members of internal teams are equally important to the transfer of knowledge between the various clusters and the replication of good practices. In this sense, inter-cluster communications are an everyday event in our organisation. Moreover, all clusters meet once a year to share experiences and develop future strategies. In 2018 these events were the starting point for the new strategy 2019-2022 and for a review of the previous Strategic Plan 2014-2018.

### 1.7.2. External auditors

In 2018, a total of 704 external auditors conducted audits for Inditex in line with our own methodology. External auditors receive training not only at the start of our collaboration but also throughout that relation to guarantee that audit quality meets our standards. In 2018, some 557 external auditors were trained to perform audits for Inditex. These training sessions were ad hoc (organised according to the individual needs of the auditing company and the country in question) or standard (every time a methodology is updated).

### 1.7.3. Suppliers

Training and capacity building for suppliers and manufacturers is one of the main priorities of the Strategic Plan 2014-2018 and of the *Workers at the Centre* programmes. And they will continue to hold this central importance in our Sustainability strategy in the future. We are aware that the social sustainability of our supply chain requires our suppliers to share our principles, starting with the Code of Conduct through to the values enshrined in our programmes, such as women empowerment or the payment of a living wage.

This is why we make use of both group and individual training sessions. Individual training activities are implemented by our internal teams. Group activities may be internal or external, or involve the collaboration of various prestigious organisations. Particularly noteworthy in 2018 were the training activities involving IndustriALL in Romania, India and Bangladesh; and with the ILO and ACT, both in Turkey.

Training on the new traceability tool also deserves mention.

 More information on pages 92 and 93 of this Annual Report.



### 1.7.4. Purchasing teams and other areas

Inditex's sustainability strategy can only be developed with the participation of all employees. That is why our Sustainability and Human Resources teams work to train and raise the awareness of all of our staff. All new employees at Inditex's head offices attend the *Welcome* training course, which includes specific sessions introducing the Group's policies and practices in the spheres of Social and Environmental Sustainability, Product Health and Safety, and Community Investment.

The training of teams in stores is also fundamental, since they are in direct contact with our customers. They have to not only think about sustainability in their everyday work, but also transmit the concept to customers. On Academy, Inditex's digital staff training tool, is one of the platforms that helps with this task, as it offers specific contents on sustainability. In 2018, this tool was placed at the disposal of more than 105,000 people.

 More information on page 74 of this Annual Report.

In the case of purchasing teams, sustainability training is much more far-reaching due to the impact of their activity and the decisions they make on the supply chain. In 2018, a total of 142 purchasers were trained in India, Turkey, Bangladesh and Spain using our interactive modules on purchasing practices. Meanwhile, Sustainability teams in Turkey, China, India, Bangladesh and Argentina held 107 individual awareness-raising meetings with their workmates of the purchasing teams in the range of subsidiaries.

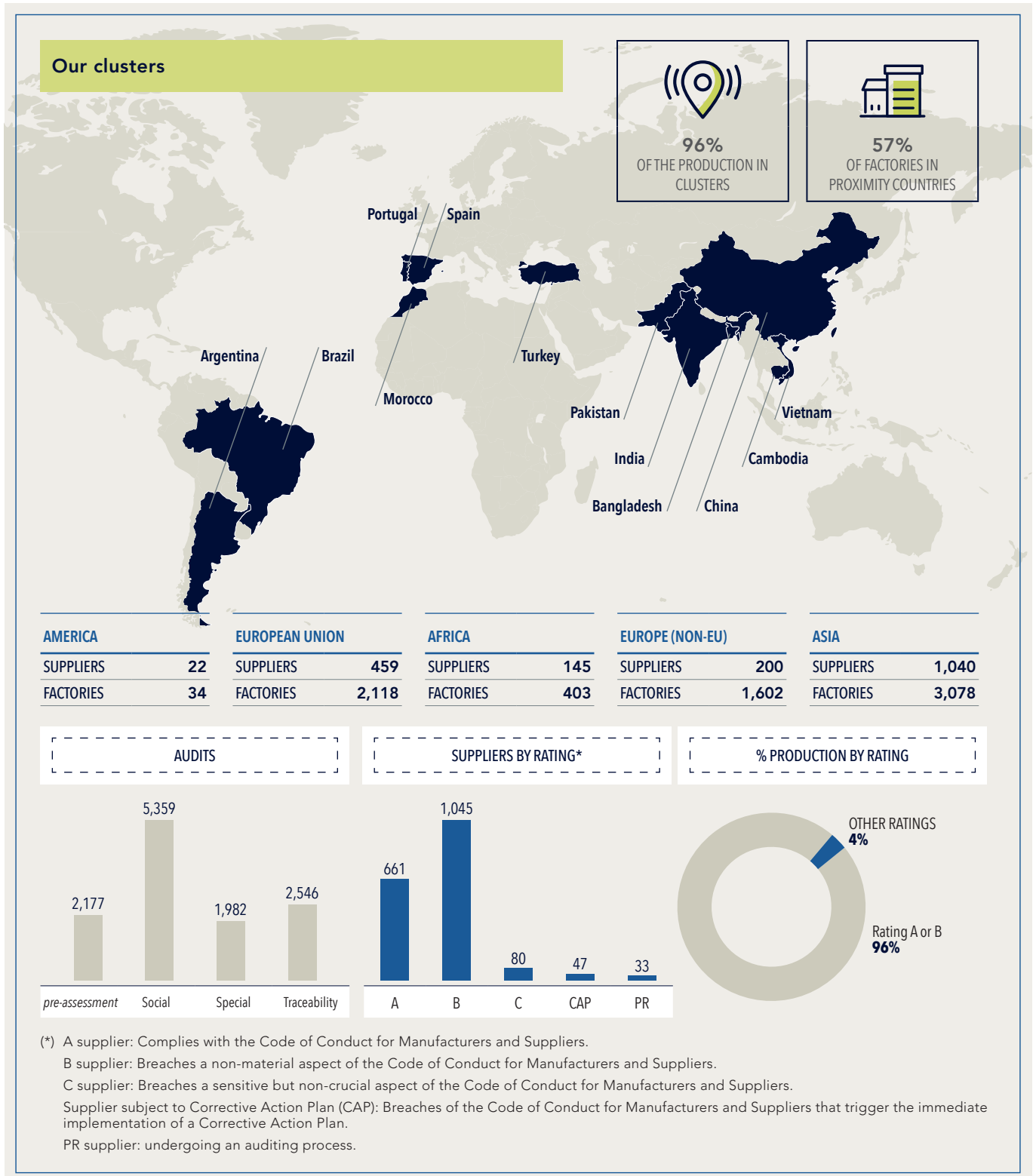
 More information on page 119 of this Annual Report.

Sustainability training covers all stakeholders in the supply chain, from suppliers to internal teams.

## 2. Strategic Plan for a Stable and Sustainable Supply Chain 2014–2018. 2018 Review

The year 2018 was the fifth and final year of our Strategic Plan for a Stable and Sustainable Supply Chain 2014–2018. During the year, we continued to work on its four lines of action – identification, assessment, optimization and sustainability – with the aim of fulfilling the objectives set in 2013.

### | The Inditex supply chain in 2018





## 2.1. Identification of the supply chain

During the financial year 2018, our supply chain was made up of 1,866 suppliers<sup>1</sup> in 43 markets working with 7,235 factories<sup>2</sup>.

### | The Inditex supply chain in 2018 <sup>1</sup>

	Suppliers with purchase in 2017	Suppliers not used in 2018	New suppliers in 2018	Suppliers with purchase in 2018
Africa	151	19	13	145
America	48	27	1	22
Asia	980	172	232	1,040
Europe (non-EU)	182	35	53	200
European Union	463	68	64	459
<b>TOTAL</b>	<b>1,824</b>	<b>321</b>	<b>363</b>	<b>1,866</b>

Inditex's traceability management system was developed internally, and has evolved during the last five years of application of the Strategic Plan 2014-2018 in order to facilitate access to information to interested parties (internal teams and suppliers), as well as to increase the scope of information gathered, in particular when it comes to the traceability of raw materials. Our clusters, which account for 96% of total production, have at their disposal traceability experts that include textile and industrial engineers. In 2018, a total of 2,546 traceability audits were performed to verify that production for the Group's brands was being carried out in correctly declared and authorized factories.

The level of standardization of our traceability audits' methodology is worth highlighting. Since it was introduced in 2014, a robust model has been established that encompasses the best practices of Inditex's teams, allowing an objective verification of suppliers. The methodology also incorporates correction and remediation measures in the form of Production Control Plans and management systems evaluations.

 More information on page 92 of this Annual Report.

## 2.2. Assessment of the supply chain

Before a supplier begins working with Inditex, its compliance with the Code of Conduct is verified with a *pre-assessment* audit, which consists of a preliminary evaluation of potential suppliers and factories performed by internal or external auditors without prior notice. These audits guarantee that only suppliers that meet the requirements established in the Code of Conduct can enter the supply chain.

### | Pre-assessment audits in 2018

Geographic area	Pre-assessment audits	% Approved
Africa	96	73%
America	15	87%
Asia	1,429	72%
Europe (non-EU)	378	86%
European Union	259	90%
<b>Total</b>	<b>2,177</b>	<b>77%</b>

Our suppliers and manufacturers are also subject to regular social audits in line with our methodology, which was designed in 2007 along with the former International Textiles Trade Union Federation (today part of IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics, Cambridge.

The aim of social audits is to verify the degree of compliance with the Code of Conduct and to establish Corrective Action Plans where necessary to ensure respect for fundamental labour rights. They are carried out by internal or external auditors without prior notice. One essential element of the social audit is interviews with workers and their trade union representatives, where appropriate. These interviews allow the auditor to compare the information obtained from other sources and gain a clear vision of the real situation in the factory. The rest of the audit process involves document reviews, visits to facilities and interviews with management.

### | Social audits in 2018

Geographic area	Total
Africa	380
America	55
Asia	2,473
Europe (non-EU)	1,241
European Union	1,210
<b>Total</b>	<b>5,359</b>

<sup>1</sup> Suppliers of fashion items, mainly clothing, footwear and accessories, producing over 20,000 units/year. Suppliers with smaller production account for 0.23% of total production.

<sup>2</sup> Textile, footwear and accessory factories declared by suppliers in the manufacturer management system for orders in 2018.

The results of audits leads to suppliers and manufacturers receiving a rating that reflects their level of compliance with the Code of Conduct. The ratings of suppliers used in 2018 are as follows:

Classification(*)	Number of suppliers	Percentage (%)	Percentage of production (%)
A	661	35%	37%
B	1,045	56%	59%
C	80	4%	2%
CAP	47	3%	1%
PR	33	2%	1%
<b>TOTAL</b>	<b>1,866</b>	<b>100%</b>	<b>100%</b>

- (\*) A supplier: Complies with the Code of Conduct for Manufacturers and Suppliers.
- B supplier: Breaches a non-material aspect of the Code of Conduct for Manufacturers and Suppliers.
- C supplier: Breaches a sensitive but non-crucial aspect of the Code of Conduct for Manufacturers and Suppliers.
- Supplier subject to Corrective Action Plan (CAP): Breaches of the Code of Conduct for Manufacturers and Suppliers that trigger the immediate implementation of a Corrective Action Plan.
- PR supplier: undergoing an auditing process.

The following figures are the percentage compliance with the Code of Conduct for Manufacturers and Suppliers in factories active in 2018:

**Percentage compliance with the Code of Conduct in active factories(\*) associated with suppliers with purchase in 2018**

	Africa	America	Asia	Europe (non-EU)	European Union
Prohibition of forced labour	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue
Prohibition of work by youths or minors (**)	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue
Prohibition of discrimination	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue
Respect for freedom of association and collective bargaining	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue
Prohibition of abuse or inhumane treatment	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue
Hygiene at work	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue
Wage compliance	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
Working hours	Dark Blue	Dark Blue	Light Blue	Light Blue	Dark Blue
Environmental commitment	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue
Regular work	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Light Blue
Implementation of the Code(***)	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue

(\*) Includes factories with social audit and not rejected in 2018. ● > 90   ● > 70   ● > 50   ● < 50

(\*\*) Includes the lack of suitable systems for checking the age of workers.

(\*\*\*) Includes the lack of suitable systems for registering and informing workers.

In 2018, some 96% of production was carried out by suppliers with an A or B rating – those suppliers with the higher ratings within Inditex’s own methodology – and this demonstrates how we have integrated our sustainability standards in purchasing decisions.

We also perform special audits, which focus on a specific area for improvement. Examples of the purposes of these visits are structural technical assessments or the assessment of working conditions from the exclusive perspective of health and safety.

### Special audits in 2018

Geographic area	Special
Africa	130
America	132
Asia	1,398
Europe (non-EU)	201
European Union	121
<b>Total</b>	<b>1,982</b>

## 2.3. Optimization

From the perspective of sustainability, Inditex believes in improvement and growth achieved hand-in-hand with our suppliers. That is why our audits are always subject to follow-up. Every audit generates a Corrective Action Plan that imposes demanding goals and deadlines that must be complied with if the supplier wants to continue to maintain commercial relations with Inditex. Apart from internal teams, other stakeholders may participate in plans, including NGOs, trade unions or other civil society organisations.

### Corrective Action Plans



At Inditex we give suppliers the opportunity to improve, guiding and supporting them whenever they need.

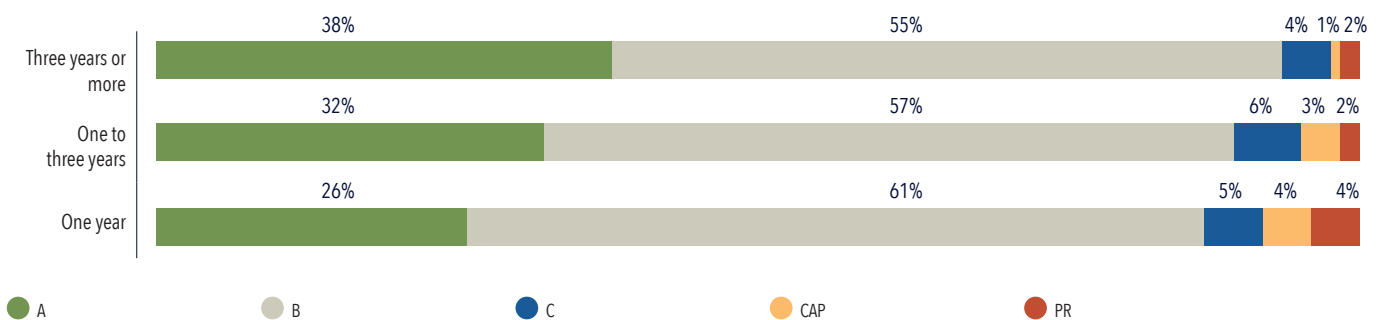
In 2018, some 417 Corrective Action Plans were initiated. Since the launch of the Strategic Plan 2014-2018, our teams have collaborated with suppliers on 2,458 Corrective Action Plans.

Apart from implementing our own plans, we also work together with other brands in the sector on joint remediation activities in factories. A collaborative focus that facilitates long-term solutions from a more holistic viewpoint, given that, apart from helping factories to improve in a comprehensive manner, these also receive

a mutual, consensual message from all of the brands that they work for.

The benefits of daily work from the outset with the supplier can be seen in the way suppliers' ratings improve with the years of their relationship with Inditex. The percentage of suppliers with A and B ratings is higher among those suppliers that have been collaborating with Inditex for over three years, and been subject to several programmes under the 2014-2018 Strategic Plan.

I Supplier classification according to years of commercial relationship with Inditex (%)



At Inditex we give suppliers the opportunity to improve, guiding and supporting them whenever they need. However, we also have zero tolerance for those who do not take advantage of these opportunities and do not comply with the Code of Conduct or with other requirements for working with us. Thus, of the 1,866 suppliers used in 2018, a total of 50 were discarded during the year for failing to comply with some of the conditions necessary to work with Inditex. This includes both business and sustainability-related reasons.

I Suppliers rejected in 2018

Geographic area	Suppliers with purchase*	Rejected due to breach of the Code of Conduct	Rejected for commercial reasons	Active suppliers at 31/01/2019
Africa	145	3	1	141
America	22	0	0	22
Asia	1,040	10	18	1,012
Europe (non-EU)	200	10	2	188
European Union	459	3	3	453
<b>Total</b>	<b>1,866</b>	<b>26</b>	<b>24</b>	<b>1,816</b>

(\*) Suppliers of fashion items, mainly clothing, footwear and accessories, with a production of over 20,000 units/year. Suppliers with smaller production account for 0.23% of total production.



## 2.4. Sustainability

The challenges posed by a global supply chain are shared by many stakeholders. Working together is beneficial to the industry and the development of communities. That is why we collaborate with stakeholders at the global

level, in particular with IndustriALL Global Union, as well as with important initiatives from the International Labour Organization (ILO), Ethical Trading Initiative (ETI) and the UN Global Compact, as well as local stakeholders.

### MAIN GLOBAL PARTNERSHIPS



Global trade union federation representing more than 50 million workers affiliated to almost 600 trade unions worldwide.

Collaboration through the Global Framework Agreement signed in 2007. The Agreement was the first to encompass the whole supply chain in a textiles sector enterprise. Its fundamental aim is to ensure compliance with the international labour standards deriving from the ILO and UN Conventions, as well as OECD Guidelines. It underlines the essential role that the right to organise and collective bargaining must have in all countries.



Agency of the United Nations tackling all matters related to work and labour relations. The International Labour Organization is a tripartite body involving representatives of governments, trade unions and employers.

Three-yearly public-private partnership signed in 2017 whose purpose is the joint promotion of the Fundamental Principles and Labour Rights in the cotton supply chain.

Participation in the ILO's Better Work platform to improve compliance with labour standards and the competitiveness of global supply chains.

Inditex joined the Better Work Programme in October 2007. In 2013, both parties signed a specific agreement that makes us a direct buyer partner of the Better Work programme.



Its Ten Principles promote sustainable development in the spheres of human rights, work, environment and anti-corruption with a universal consensus. It is the largest corporate social responsibility initiative worldwide.

When Inditex became a signatory to the Global Compact in 2001, the Company undertook to respect its Ten Principles. We also actively participate in the UN Global Compact Decent Work in Global Supply Chains Action Platform, as well as in the Action Platform for Reporting on the Sustainable Development Goals.



A platform for dialogue to improve the working conditions of workers in the distribution sector in developing countries. It comprises companies, international trade union organisations and non-governmental organisations.

Inditex has been a member of the Ethical Trading Initiative since 2005, participating actively in its initiatives and programmes in different countries.



Initiative involving distribution brands, suppliers and trade unions to transform the industry and achieve living wages in the textiles sector through collective bargaining.

Inditex has actively participated in ACT and its working groups since 2015.



This is an agreement between global brands and retailers and local and international trade unions and NGOs, with the aim of ensuring lasting improvements in the working conditions of Bangladesh's textile industry.

Inditex is an original signatory member and forms part of the Steering Committee. The Accord was signed on 13 May 2013 and renewed in 2018.



Alliance of governments, companies and international organisations based at the United Nations. Its objective is the global promotion of the transition towards a digital economy.

Inditex's collaboration focuses on digitalization and financial education in the supply chain.

#### Collaboration in the sector

Cooperation with brands and stakeholders in the textiles industry to tackle common challenges and advance together on the sustainability of the industry.

The promotion of mature industrial relations, the achievement of living wages and fostering responsible purchasing practices are some of the collaborative lines of work being implemented in the sector.

Our supplier clusters are one of the fundamental tools we use to establish such cooperation with the range of local and global stakeholders and guarantee that our standards are applied throughout the supply chain.

| Main cluster indicators in 2018

	Spain	Portugal	Morocco	Turkey	India	Pakistan	Bangladesh	Vietnam	Cambodia	China	Brazil	Argentina
<b>AUDITS</b>												
Traceability	13	174	548	721	61	5	82	67	56	191	51	510
Pre-assessment	33	98	78	356	190	67	102	43	55	914	3	8
Social	97	973	315	1,193	368	178	295	124	84	1,350	10	41
Special	0	111	123	195	233	24	826	16	57	188	86	46
<b>SUPPLIER RATING</b>												
A suppliers	90	89	54	68	40	8	55	5	1	68	4	22
B suppliers	74	73	55	86	70	38	59	0	1	351	0	3
C suppliers	7	1	13	14	10	6	3	0	0	18	0	0
Suppliers with CAP	4	2	3	18	1	5	3	0	0	4	0	1
<b>CORRECTIVE ACTION PLANS</b>												
Corrective Action Plans	0	77	15	191	6	17	8	10	7	65	0	2

**STAKEHOLDERS**

Collaboration and participation with stakeholders

Spain	Portugal	Morocco
<ul style="list-style-type: none"> <li>- UN Global Compact</li> <li>- Ethical Trading Initiative (ETI)</li> <li>- IndustriALL Global Union</li> <li>- Action Collaboration Transformation (ACT)</li> <li>- International Labour Organization (ILO)</li> <li>- Better Than Cash Alliance</li> <li>- Social &amp; Labour Converge Project (SLCP)</li> </ul>	<ul style="list-style-type: none"> <li>- IndustriALL Global Union</li> <li>- Portuguese Catholic University of Porto</li> <li>- <i>University of Minho</i></li> <li>- <i>Autoridade para as Condições do Trabalho</i></li> </ul>	<ul style="list-style-type: none"> <li>- Medicus Mundi Sur</li> <li>- AMSAT (Association Marocaine de la Santé au Travail)</li> <li>- Unión de la Acción Feminista</li> </ul>
Turkey	India	Pakistan
<ul style="list-style-type: none"> <li>- IndustriALL Global Union</li> <li>- International Labour Organization (ILO)</li> <li>- Association for Supporting Contemporary Life (ÇYDD)</li> <li>- United Work</li> <li>- Refugee Support Centre (MUDEM)</li> <li>- Fair Labour Association</li> <li>- WWF Turkey</li> <li>- Action Collaboration Transformation (ACT)</li> <li>- ITKIB -Exporters' Association</li> <li>- Association for Supporting Contemporary Life (ÇYDD)</li> </ul>	<ul style="list-style-type: none"> <li>- IndustriALL Global Union</li> <li>- St. John's National Academy of Health Sciences</li> <li>- SWASTI</li> <li>- SAVE</li> <li>- Pratham, Council for Vulnerable Children</li> </ul>	<ul style="list-style-type: none"> <li>- International Labour Organization (ILO)</li> <li>- Buyers Forum Pakistan</li> </ul>
Bangladesh	Vietnam	Cambodia
<ul style="list-style-type: none"> <li>- International Labour Organization (ILO)</li> <li>- IndustriALL Global Union</li> <li>- Ethical Trading Initiative (ETI)</li> <li>- Accord on Fire and Building Safety in Bangladesh (Accord)</li> <li>- BGMEA</li> <li>- BKMEA</li> </ul>	<ul style="list-style-type: none"> <li>- Better Work (ILO)</li> </ul>	<ul style="list-style-type: none"> <li>- Action Collaboration Transformation (ACT)</li> <li>- Better Factories Cambodia (ILO)</li> </ul>
China	Brazil	Argentina
<ul style="list-style-type: none"> <li>- International Labour Organization (ILO)</li> <li>- Ethical Trading Initiative (ETI)</li> </ul>	<ul style="list-style-type: none"> <li>- International Labour Organization (ILO)</li> </ul>	<ul style="list-style-type: none"> <li>- National Institute of Industrial Technology (Instituto Nacional de Tecnología Industrial, INTI)</li> </ul>

The year 2018 saw the completion of the Strategic Plan initiated in 2014 that brought together the lines of action undertaken over the last five years in responsible management of the supply chain.

### 3. Balance of the Strategic Plan for a Stable and Sustainable Supply Chain 2014–2018

In December 2013, Inditex’s Social Sustainability teams designed a five-year strategy for the supply chain for the period 2014-2018 with the title Strategic Plan for A Stable and Sustainable Supply Chain.

The Strategic Plan organised and strengthened the work carried out until then. It had two specific objectives:

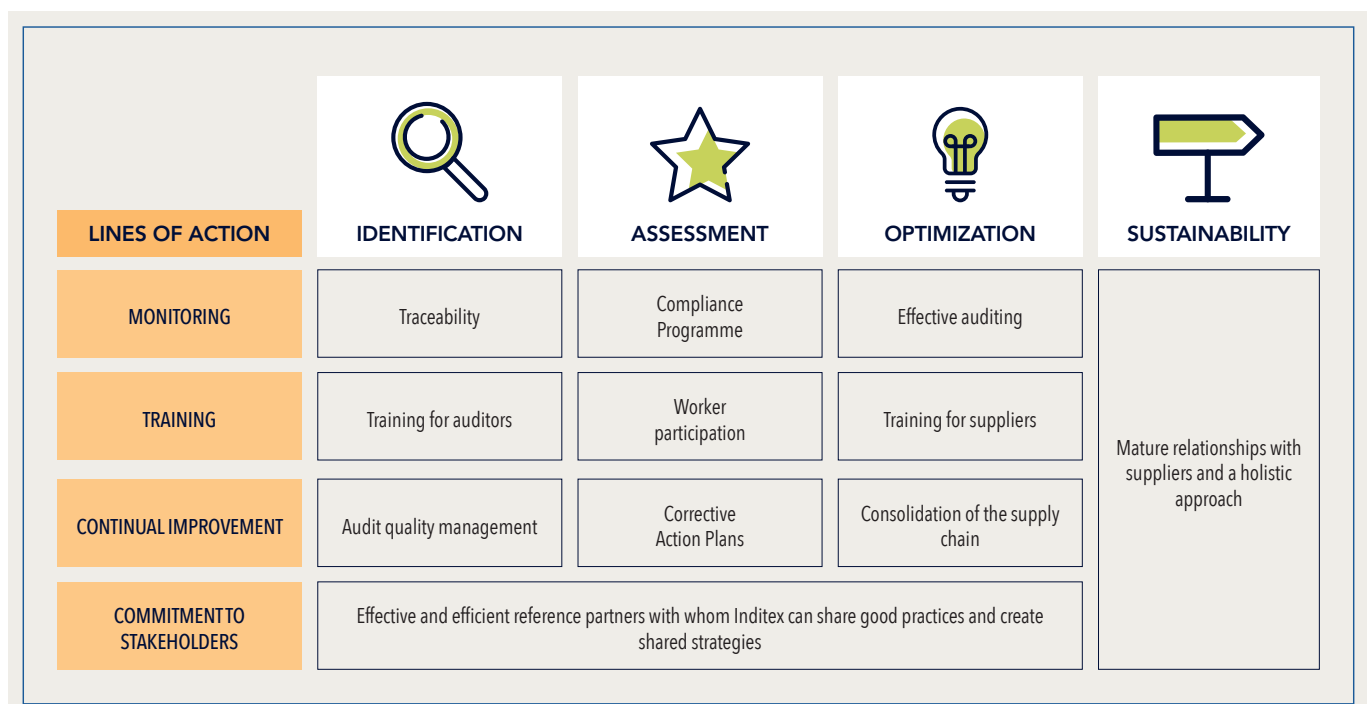
- Ensure compliance with the Code of Conduct for Manufacturers and Suppliers.
- Reiterate Inditex’s commitment to the United Nations Guiding Principles on Business and Human Rights.

The lines of the Strategic Plan for a Stable and Sustainable Supply Chain include identifying and properly knowing

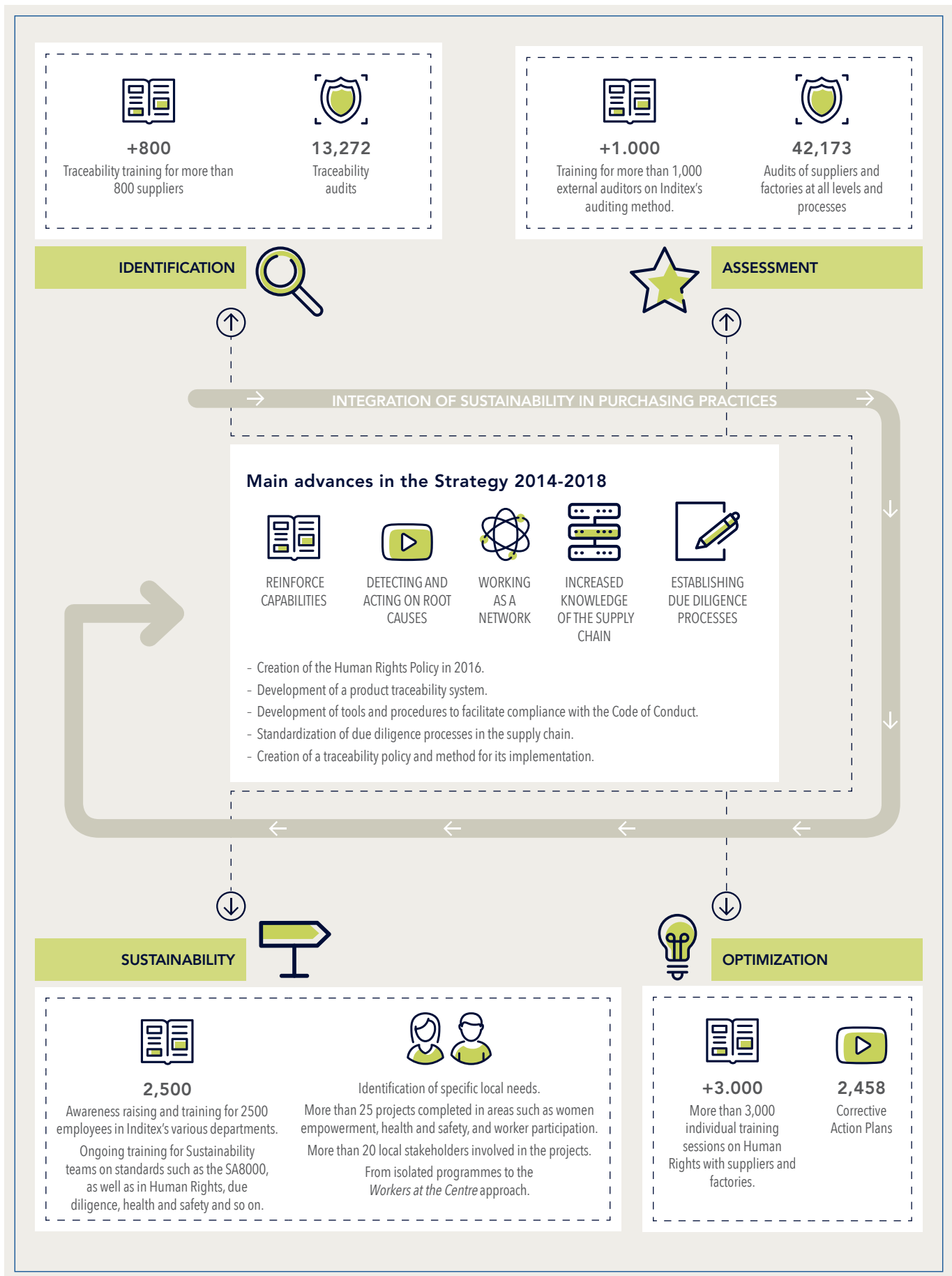
(non-exclusive) suppliers and manufacturers, performing exhaustive assessments of them to improve the working conditions of their workers. This ensured the sustainability of suppliers and manufacturers and guaranteed their adherence to the standards required by Inditex, creating stable and long-term business relations and ensuring depth on specific areas of interest.

The Plan came to an end in the year 2018. During the five-year period of its implementation, the tools, methods and activities linked to identification, assessment, optimization and sustainability included in the Plan have evolved to adapt to the needs of the supply chain and its context, incorporating experiences and lessons learned.

#### I Strategic Plan for a Stable and Sustainable Supply Chain 2014–2018



Review of the Strategic Plan 2014–2018 Key results







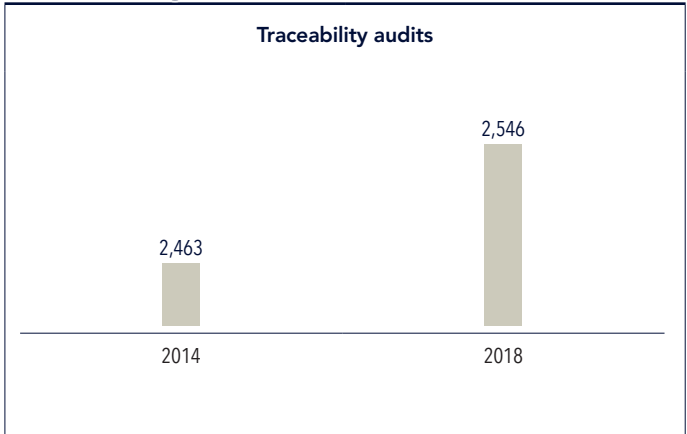


**IDENTIFICATION**

STRATEGIC PLAN 2014-2018 OBJECTIVES	STRATEGIC PLAN 2014-2018 MILESTONES	EVOLUTION OF MAIN INDICATORS	IDENTIFICATION FOLLOWING THE STRATEGIC PLAN 2014-2018
<ul style="list-style-type: none"> <li>⬆️ Verification of the traceability of 100% of production</li> <li>➡️ Regular and systematic training for all auditors using the “train the trainer” system</li> </ul>	<ul style="list-style-type: none"> <li>Online manufacturer and order management system</li> <li>Launch of traceability audits</li> <li>Public-private agreement with the International Labour Organization (ILO) to strengthen labour rights in cotton production</li> </ul>	<p>During this five-year period, we have intensified our identification activity, both in terms of traceability audits and in supplier training or improvements to information systems.</p>	<ul style="list-style-type: none"> <li>Co-responsibility of suppliers to ensure the traceability of their own supply chains</li> <li>Development of innovative tools to facilitate traceability management</li> <li>Strengthening of the traceability of raw materials</li> </ul>

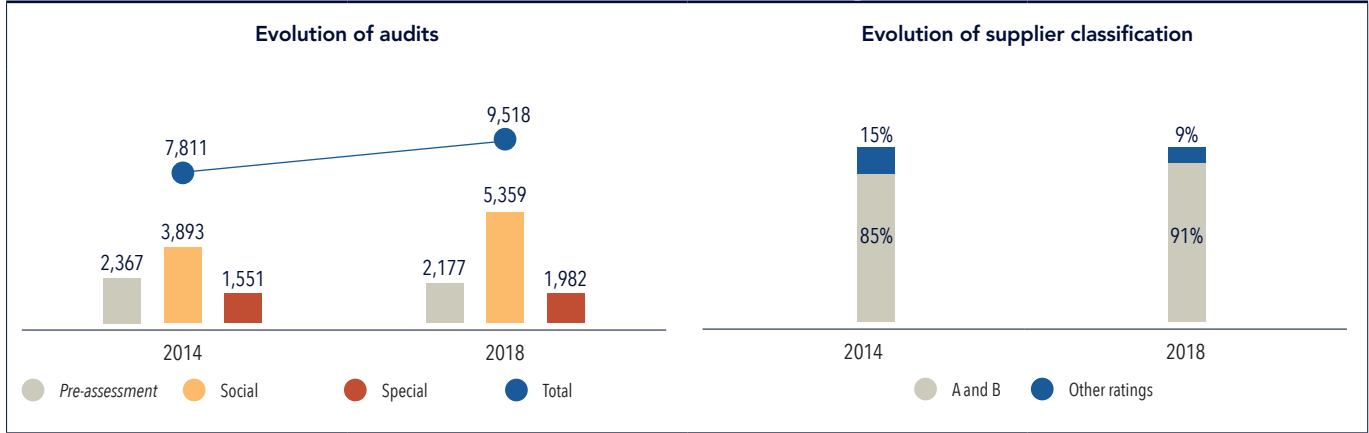


The traceability of the supply chain was a priority of the Strategic Plan.



**ASSESSMENT**

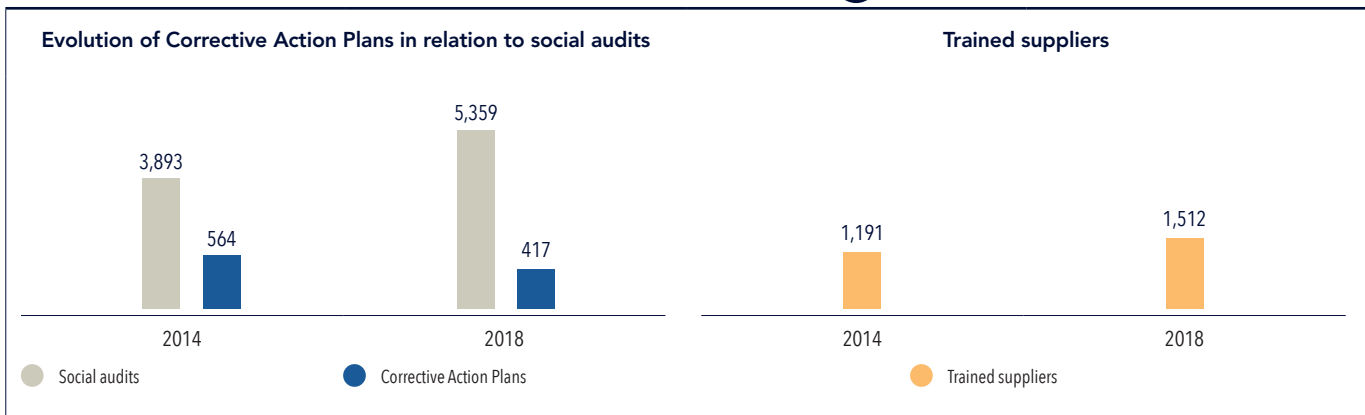
STRATEGIC PLAN 2014-2018 OBJECTIVES	STRATEGIC PLAN 2014-2018 MILESTONES	EVOLUTION OF MAIN INDICATORS	ASSESSMENT FOLLOWING THE STRATEGIC PLAN 2014-2018
<ul style="list-style-type: none"> <li>⬆️ Ensure sustainable compliance with the Code of Conduct for Manufacturers and Suppliers</li> <li>⬆️ Auditing system designed to evaluate and improve management methods</li> </ul>	<ul style="list-style-type: none"> <li>Two updates of the methodology used for social audits.</li> <li>Update of the methodology used for pre-assessment audits.</li> <li>Inclusion of all audits in an online system.</li> </ul>	<p>The percentage of suppliers reaching the higher compliance ratings (A and B) has increased during the five years of the Strategic Plan, which demonstrates that we have achieved a continual improvement of working conditions and compliance with our Code of Conduct.</p>	<ul style="list-style-type: none"> <li>Audits as a tool to detect the root causes of non-compliance and solve these issues through other types of action.</li> <li>Initiatives to advance in shared evaluations within the industry, such as the Social &amp; Labour Convergence Project.</li> </ul>





**OPTIMIZATION**

STRATEGIC PLAN 2014-2018 OBJECTIVES	STRATEGIC PLAN 2014-2018 MILESTONES	EVOLUTION OF MAIN INDICATORS	OPTIMIZATION FOLLOWING THE STRATEGIC PLAN 2014-2018
<ul style="list-style-type: none"> <li><span style="color: green;">↑</span> Corrective Action Plans targeted at improving management systems, with self-assessment and worker participation</li> <li><span style="color: green;">↑</span> Establish and maintain stable relationships of trust with suppliers</li> <li><span style="color: green;">↑</span> Regular training programme for 100% of suppliers and manufacturers</li> </ul>	<p>Collaboration with local NGOs on the establishment of Corrective Action Plans</p> <p>Agreement with MUDEM on refugees in Turkey</p> <p>Development of responsible purchasing practices with purchasing teams</p>	<p>In 2018, Corrective Action Plans were implemented for 8% of social audits carried out. This demonstrates the level of improvement of our supplier compliance, given that even while we have intensified our auditing work, the percentage of suppliers requiring the immediate implementation of a strict Corrective Action Plan continues to decrease.</p>	<p>Continual improvement through collaboration with other stakeholders in the sector</p> <p>Joint remediation initiatives</p> <p>Programmes that go beyond individual remediation to examine root causes at the sector level.</p>



**SUSTAINABILITY**

STRATEGIC PLAN 2014-2018 OBJECTIVES	STRATEGIC PLAN 2014-2018 MILESTONES	EVOLUTION OF MAIN INDICATORS	SUSTAINABILITY FOLLOWING THE STRATEGIC PLAN 2014-2018
<ul style="list-style-type: none"> <li><span style="color: green;">↑</span> Effective and efficient reference partners with whom Inditex can share good practices and create shared strategies</li> <li><span style="color: green;">↑</span> Alignment and inclusion of the sustainability strategy in the Group's business model</li> <li><span style="color: green;">↷</span> Workers freely chosen as representatives throughout the supply chain</li> </ul>	<p>Approval of Inditex's Human Rights Policy</p> <p>Renewal of the Global Framework Agreement with IndustriALL</p> <p>Creation of supplier clusters in Cambodia and Pakistan, and development of the 10 existing clusters</p> <p>Commitment to Action Collaboration Transformation (ACT)</p> <p>Participation in the Action Platforms of the UN Global Compact.</p>	<p>During the five years of the plan, the clusters have been one of our main tools for progress. Through them, we have been able to consolidate various alliances with local and international entities alike, with whom we share the objective of ensuring the social sustainability of the supply chain.</p>	<p>Strengthening of collaboration between clusters to take advantage of synergies and shared learning</p> <p>Focus on innovation and the use of new technologies to ensure the sustainability of the supply chain</p> <p>Strengthening of existing alliances with different stakeholders and the creation of new alliances in different spheres of action</p> <p>Sustainability of the industry as a whole</p>



**Partnerships with landmark entities**

**Creation of two new clusters:**

CAMBODIA AND PAKISTAN



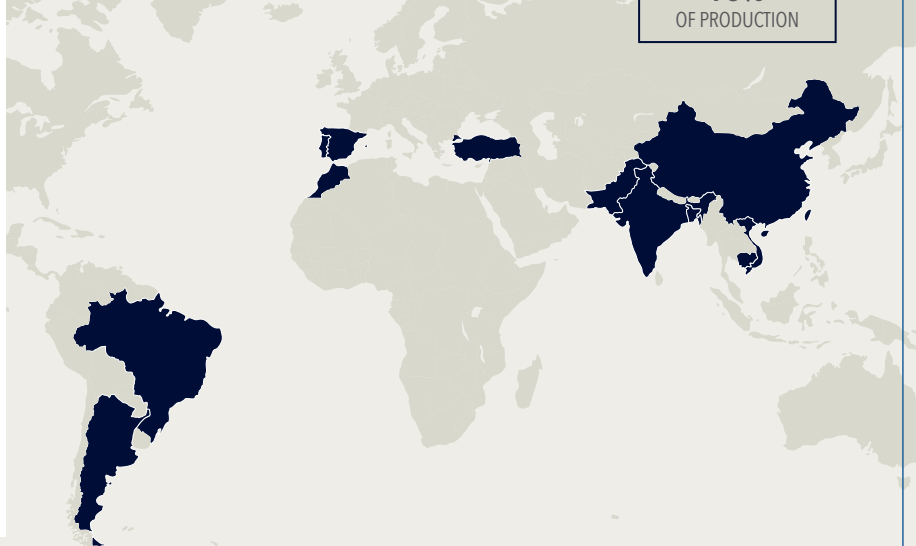
Review of the Strategic Plan 2014–2018 Key results

**Supplier clusters**

Spaces for cooperation designed to promote a sustainable productive environment in geographic areas that are strategic to the development of Inditex's business model.



- 2014** Update of the social audits methodology.
- 2015** Collaboration with the ACT initiative.
- 2016** Consolidation of the Workers at the Centre programmes.  
Update of the pre-assessment audit methodology.
- 2017** X anniversary of the signing of the Global Framework Agreement with IndustriALL Global Union.  
Signing of the public-private agreement with the ILO focusing on the cotton supply chain.
- 2018** Adherence to the Better Than Cash Alliance.  
Renovation of the Bangladesh Accord



**Spain**

- Coordination of the Strategy.
- Coordination of the Framework Agreement with IndustriALL Global Union

**Portugal**

- Signing of a Framework Agreement with the University of Minho (2018).
- Launch of an occupational health and safety programme in collaboration with IndustriALL and local authorities and trade unions (2017).

**Argentina**

- Initiation of collaboration with the National Institute of Industrial Technology (INTI) (2014).
- Programme to improve production management systems of factories in collaboration with INTI (2018).

**Brazil**

- Initiation of participation in the Sustainable Fashion Laboratory (2017).
- Signing of the PPP ABVTEX-ABIT-Zara with the ILO (2017).

**Morocco**

- Collaboration with Medicus Mundi on programmes related to health.
- Training on industrial relations with IndustriALL Global Union.

**Turkey**

- Development of the Joint Turkey Programme, in collaboration with IndustriALL Global Union (2014-2016).
- Signing of the Framework Agreement with the NGO Refugee Support Centre – MUDEM for refugee workers. (2015)

**Pakistan**

- Creation of a cluster to address the real situation of the local supply chain in further depth (2016)
- Participation in the pilot of the ILO's SCORE programme (2018).

**India**

- Development of the Sakhi Programme for women's empowerment.
- Training for suppliers on social dialogue with IndustriALL Global Union (2018).

**Bangladesh**

- Project to support the Worker Participation Committees with IndustriALL Global Union (2015).
- Development of programmes for the digitalization of wage payment (2018).

**China**

- SCORE and LEAN programmes to improve labour conditions (2015).
- Collaboration with the Ethical Trading Initiative on a project to raise awareness among workers on social contributions (2016).

**Cambodia**

- Creation of a cluster to address the real situation of the local supply chain in further depth (2015).
- Promotion of collective bargaining through ACT.

**Vietnam**

- Creation of a supplier union network of Inditex suppliers in collaboration with IndustriALL Global Union (2015).
- Contact in conjunction with ACT with national stakeholders to promote collective bargaining (2017).



## 4. Introduction of the *Workers at the Centre* 2019–2022

Inditex upholds its commitment to best practices in the social sustainability of the supply chain. Based on the experience we 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 we have embarked on our new strategy for the supply chain.

Inditex's new route map is entitled *Workers at the Centre 2019-2022*. The previous Strategic Plan and the experience we have gained serve to demonstrate that we can only lead the way towards sustainability and a responsible business model if we understand the needs of workers, their families and the communities where they live, providing them with the appropriate tools to achieve decent work.

That is why our priority over the next four years will be to foster direct contact with workers to expand our knowledge of their needs. To this end, we will continue to work with the relevant stakeholders, in particular with

those that have the greatest level of contact with workers, highlighting their concerns and needs.

The strategy will be structured around three complementary and interconnected dimensions: workplace, wellbeing and industry.

This three-dimensional structure will allow us to continue focusing our efforts on the sustainability of the factories in our supply chain while extending these efforts to address the general wellbeing of workers and long-lasting changes and impacts in the industry.

Following a due diligence in Human Rights, we have identified the priority impact areas that will be the focus of the actions contained in the strategy with the aim of achieving a sustainable impact on workers, generating a positive social value.

 More information on page 45 of this Annual Report.

### | *Workers at the Centre* 2019-2022

