

Social Management of the Supply Chain

SDG	Goals	Inditex contribution
	3.9	Our commitment to guarantee safe and healthy working environments for the workers in our supply chain is mirrored in the Code of Conduct for Manufacturers and Suppliers and it is implemented in various initiatives and programmes that we conduct as part of our <i>Workers at the Centre 2019-2022</i> Strategy.
	5.1 5.2	Women hold a high percentage of jobs in the textile sector supply chain throughout the world. Therefore, we want to guarantee the equality of female workers and to champion their empowerment. To do so, we have a strategy based on SDG 5, which is deployed through three pillars: health, protection, and empowerment.
	8.5 8.7 8.8	This year we have approved our new social sustainability strategy, <i>Workers at the Centre 2019-2022</i> , through which we want to add value in priority impact areas that contribute to fostering decent work and the well-being of the more than two million workers comprising our supply chain.
	17.16 17.17	We collaborate and hold strategic partnerships with our suppliers, as well as trade unions, governments, NGOs, and relevant international organisations, such as the International Labour Organization (ILO) and the United Nations Global Compact, to progress towards sustainable development in the supply chain and work together to champion human and labour rights.

 More information on pages 328 and 329 of this Annual Report.

The socially responsible management of the supply chain is based on respect for human and labour rights and it is an essential part of Inditex's sustainable model. Over the years, we have built strategies and programmes that gather the international best practices and raise awareness on the supply chain, its context, and workers' needs. These strategies meet our approach to social sustainability, as a

result of the ongoing due diligence and our proximity to the suppliers, workers and stakeholder groups involved.

In 2019, we have implemented a new strategy for the social sustainability of the supply chain, which we have called *Workers at the Centre 2019-2022* (2019-2022 Strategy).

In 2019, we have implemented a new strategy for the social sustainability of the supply chain: Workers at the Centre 2019-2022.

The previous *2014–2018 Strategic Plan for a Stable and Sustainable Supply Chain* strengthened the sound basis of programmes and mechanisms to ensure compliance with Inditex's Code of Conduct for Manufacturers and Suppliers. Despite the fact that this strategy ended last year, its content continues to be implemented through a compliance approach, which is necessary to address our commitments to social sustainability in the factories in our supply chain and with the involvement of our suppliers.

Social sustainability has evolved rapidly in recent years and the current context is much more complex than when the last strategy was set out. Sustainability is envisaged in a cross-cutting way and, given that the business itself has also evolved, it must constantly adapt in the same way. Along these lines, there is more than one business case for the social sustainability of the supply chain and they have all been considered when drawing up the new strategy: responsibility as a company; non-financial risk management; the relevance of sustainability in the business model; increasing customer expectations or relations with

other stakeholder groups; as well as the changing and increasingly demanding environment in the sector.

Based on our approach to supply chain sustainability, the findings from the previous Strategic Plan and the responses to the challenges of a global supply chain, the key drivers of the new social sustainability strategy are as follows:

- The positive impact on the workers.
- The creation of social value in the community and in the industry.

Furthermore, the *Workers at the Centre 2019-2022 Strategy* is supplemented by a compliance approach that serves as a tool to gain further knowledge into the workers and their needs, as well as to manage the various suppliers and factories comprising the supply chain.

 More information about the Inditex supply chain on page 88 of this Annual Report.

OUR APPROACH TO THE SOCIAL SUSTAINABILITY OF THE SUPPLY CHAIN

CHALLENGES



Changing environment at a faster pace

Increased requirements of all the stakeholder groups

Dynamic and constantly changing supply chain

OPPORTUNITIES



Focus on human rights shared with more players in the supply chain

Global Sustainable Development Goals (SDGs)

Greater interconnection with stakeholder groups

Application of new technologies

More demanding legislation supporting global progress

Innovation in the social management of the supply chain

Our *Workers at the Centre 2019-2022 Strategy* enables us to address these and other possible future challenges and to make use of opportunities to continue to work on the Social Sustainability of the supply chain.



01/ Workers at the Centre 2019-2022 Strategy

The *Workers at the Centre* 2019-2022 Strategy is based on the premise of understanding and responding to the needs of workers, their families and the communities in which they live, to foster decent work and sustainable

production environments. The guiding international frameworks regarding human and labour rights have been taken into account when defining the strategy.

Workers at the Centre 2019-2022



2019 KEY INDICATORS

SUPPLIERS AND FACTORIES REACHED THROUGH INITIATIVES, TRAINING AND PROJECTS:	1,597 suppliers and factories
BENEFITED WORKERS:	1,472,719 workers
IMPROVEMENT PROGRAMMES:	45 programmes
SUPPLIERS AND FACTORIES IN WHICH IMPROVEMENT PROGRAMMES HAVE BEEN IMPLEMENTED:	579 suppliers and factories
SUPPLIERS AND FACTORIES TRAINED:	1,018 suppliers and factories

Workers at the Centre 2019-2022

STRATEGY BASED ON:

RESPECT FOR HUMAN AND LABOUR RIGHTS

ALL THOSE INTERNATIONALLY RECOGNISED AND, IN PARTICULAR, THOSE INCLUDED IN:

THE UNITED NATIONS INTERNATIONAL BILL OF HUMAN RIGHTS, WHICH INCLUDES:

- / The Universal Declaration of Human Rights.
- / The International Covenant on Civil and Political Rights.
- / The International Covenant on Economic, Social and Cultural Rights.

CONVENTIONS AND DECLARATIONS OF THE INTERNATIONAL LABOUR ORGANIZATION:

- / Core conventions of the ILO numbers 1, 14, 26, 29, 87, 98, 100, 105, 111, 131, 138, 155 and 18.
- / The ILO Declaration on Fundamental Principles and Rights at Work.

APPLICABLE LOCAL LEGISLATION

SCOPE OF THE STRATEGY



ALL THE SUPPLIERS AND MANUFACTURERS OF THE SUPPLY CHAIN



DIRECT AND INDIRECT SUPPLIERS



ALL PRODUCTION LEVELS

THREE ELEMENTS



THE WORKER
Main beneficiary and active subject.



THE DIMENSIONS
Workplace, well-being and industry.



DUE DILIGENCE
Seven Priority Impact Areas.

ALIGNMENT WITH:



United Nations Guiding Principles on Business and Human Rights.

Sustainable Development Goals.

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector.

The principles of the United Nations Global Compact.



The first element is the **worker**, who is at the centre of the strategy as its beneficiary and active subject. Supplier responsibility and the empowerment of workers are core elements for the successful development of this approach.

The second element comprises the **dimensions** related to the worker: workplace, well-being and industry. Through our actions, we seek to have a positive impact on any of these three areas for the workers. Despite the fact that our suppliers do not exclusively work for Inditex, the positive impact of our activity will also be present in the various dimensions, conducive to the benefit of those that participate in them.

The three dimensions are as follows:

1. **Workplace:** We must ensure that the human and labour rights of workers are upheld through assessment, enhancement, and monitoring in factories and in conjunction with the compliance approach. All factories, regardless of the process they carry out or the level they are at in the chain, must be sustainable workplaces.
2. **Well-being:** We develop more complete and progressive programmes to influence and create change in the lives of workers and in their communities.
3. **Industry:** As one of the sector's leading companies, at Inditex we understand the impact that our sourcing and sustainability activities have. However, this impact is limited due to the large size of the local and international supply chain in which we operate and its context, and it needs to be supplemented and supported by all the industry's stakeholder groups.

This dimension has been added to strategically promote our endeavours, while we partner with different stakeholder groups (government organisations, bodies representing civil society, our suppliers, other brands, etc.) to drive systemic and effective change towards sustainability.

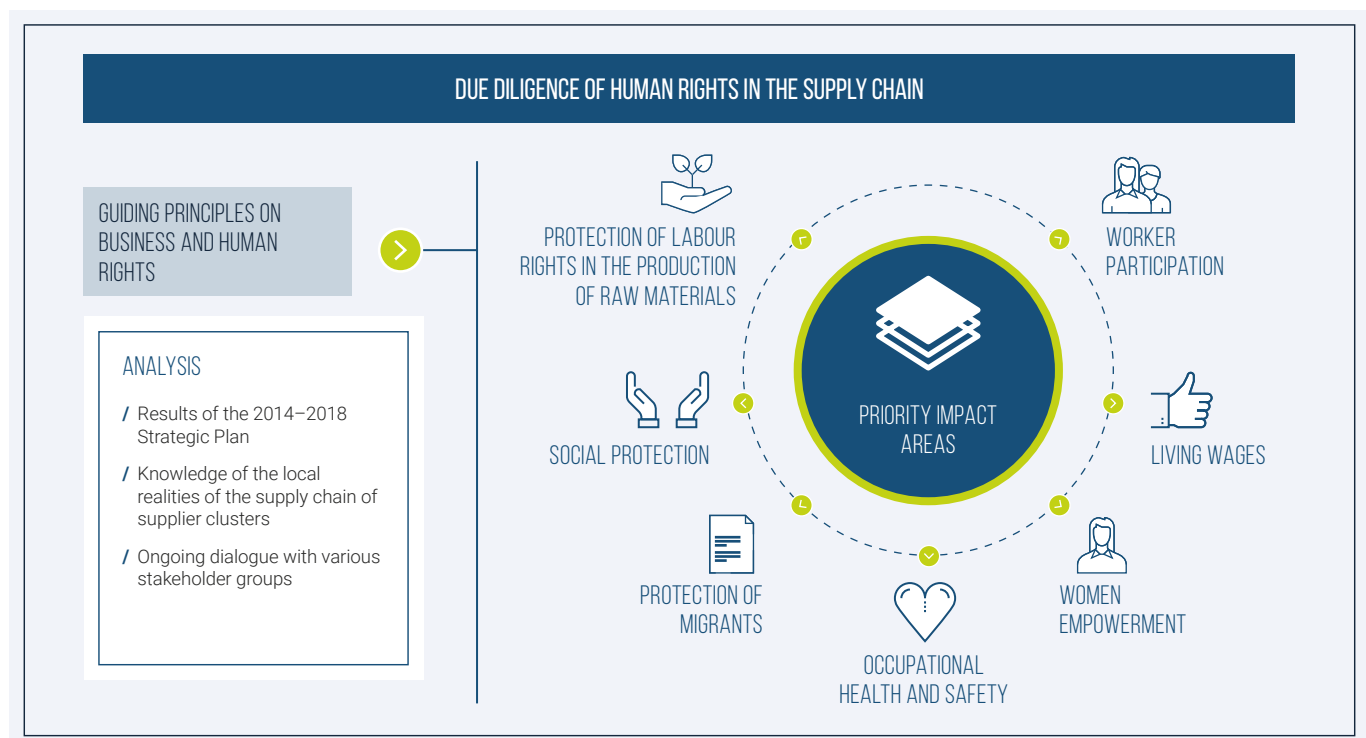
The third element in the strategy is **due diligence** on human rights and the identification of Priority Impact Areas.

In collaboration with SHIFT, the leading centre in terms of the UN Guiding Principles on Business and Human Rights, we have conducted due diligence on all the possible impacts on human rights throughout the supply chain, identifying and prioritising them. The result is materialised in maps that mirror the most relevant impacts on human rights in each of our 12 clusters, which represent 96% of the Group's production. This materialisation has enabled us to identify seven Priority Impact Areas, representing the global priorities upon which the 2019-2022 Strategy is focused.

 More information about Inditex's due diligence processes on page 51 of this Annual Report.

Global and specific goals are set out for each of the seven Priority Impact Areas, different lines of work and activities to achieve them, and indicators to measure their progress.

Each Priority Impact Area has a working group, tasked with implementing the area's individual strategy, comprising local experts from the various Inditex clusters. Thus, the experience of each local team is added together to respond to the industry's global challenges and achieve solutions for the entire supply chain, which are also simultaneously applied locally.



When defining the strategies to be implemented to achieve the various goals, the United Nations 2030 Agenda and the 17 SDGs have been established as benchmarks.

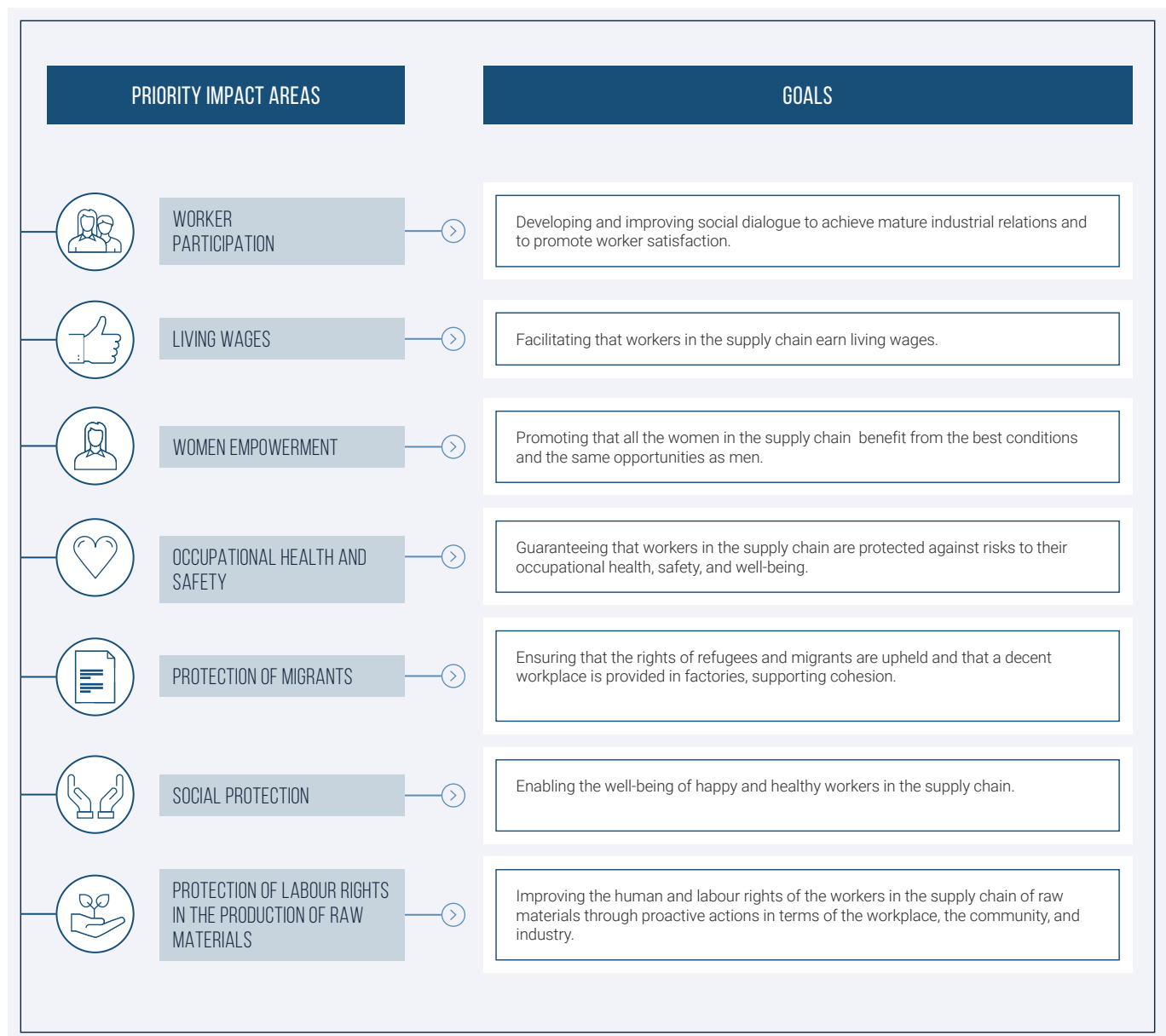
The goal that is contributed with the most relevance throughout the strategy's deployment is SDG 8 (Promoting decent work and economic growth). It is contributed by all the Priority Impact Areas through various actions, ranging from promoting the payment of living wages, to considering initiatives for worker participation, conducted through our Global Framework Agreement with IndustriALL Global Union, in addition to others.

SDG 17 (Partnerships for the goals) is also present in the work of all the Priority Impact Areas as well as, in general, throughout the deployment of the *Workers at the Centre 2019-2022 Strategy*. All the Priority Impact Areas

join forces with local and international organisations and platforms to conduct their activities. In parallel, they uphold ongoing partnerships with relevant players, ranging from the suppliers and manufacturers and their workers, to trade unions and other worker representatives, governments, universities and civil society organisations, in addition to others.

However, each of the actions and programmes are aligned with the SDGs and they make a more direct contribution to achieving various goals, considering the nature of each initiative. The sum of all the actions conducted through the *Workers at the Centre 2019-2022 Strategy* has an impact on the seventeen goals.

During 2019, more than 1.4 million workers have benefited from the strategy's actions and programmes.



02/ Priority Impact Areas

02.01/ Worker Participation

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT
PROJECTS AND PROGRAMMES:

114 factories with **134,667 workers**

SUPPLIERS TRAINED:

76 suppliers and manufacturers with **140,040 workers** trained
in joint initiatives with IndustriALL Global Union

RELATED SDGS



CORE STAKEHOLDERS

IndustriALL Global Union / International Labour Organization /
BetterWork / Ethical Trading Initiative /
ACT (Action, Collaboration, Transformation) / Accord

IMPROVING SOCIAL DIALOGUE TO ACHIEVE MATURE INDUSTRIAL RELATIONS AND PROMOTE WORKER SATISFACTION.

The freedom of association, trade union freedom and the freedom of collective bargaining are fundamental labour rights, as reflected in the various conventions of the International Labour Organization¹. The free and informed exercising of these rights by workers is crucial to enable them to defend the rest of their human and labour rights and dispose of the necessary mechanisms to defend them, among which dialogue and collective bargaining are paramount.

At Inditex we consider freedom of association and the right to collective bargaining to be the core aspects in order to guarantee supply chain sustainability. These principles are laid down in our Code of Conduct for Manufacturers and Suppliers.

Additionally, we acknowledge the important role played by global and national trade unions in monitoring our supply chain. By doing so, our worker participation strategy is founded on championing mature industrial relations, which can benefit workers, manufacturers, and suppliers, and which specifically contribute to SDG 8 (Decent work and economic growth) and SDG 16 (Peace, justice and strong institutions).

The Global Framework Agreement, that we have held with IndustriALL Global Union since 2007 and which we have

renewed and extended in 2019, is one of our most valuable tools for promoting worker participation, collective bargaining, and the respect for freedom of association. In this new phase of the Framework Agreement, a Global Union Committee has been created, to represent the workers in our supply chain. The aim is to share and promote best practices on the freedom of association and collective bargaining rights.

Our lines of action in this Priority Impact Area are:

- Promoting the Global Framework Agreement with IndustriALL Global Union: we partner IndustriALL Global Union in the field to promote the Framework Agreement and the labour rights of workers.
- Guaranteeing effective worker representation mechanisms: we foster programmes to promote these mechanisms in collaboration with organisations such as Better Work and the Ethical Trading Initiative.
- Raising awareness on social dialogue and worker participation: most noteworthy in 2019 are the initiatives conducted in collaboration with IndustriALL in Bangladesh, India, and Morocco, and with the ILO in Myanmar.

(1) The ILO conventions referenced are 87, 98 and 135.

02.01.01/ Promote the Global Framework Agreement with IndustriALL Global Union

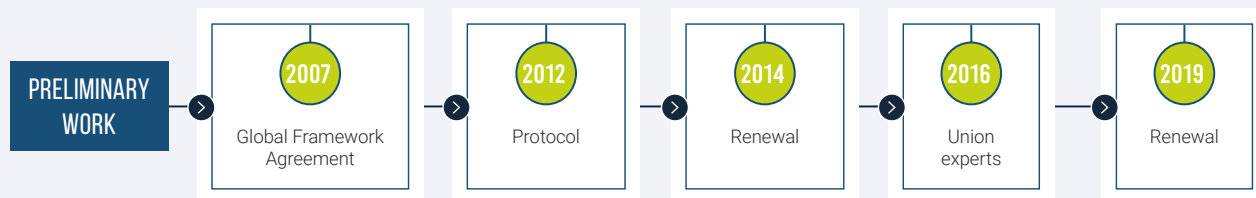
Our relationship with IndustriALL Global Union, an international union federation representing more than 50 million worker members of almost 600 unions worldwide, is one of the pillars of our strategy. It is one of our most valuable tools in promoting worker participation, respect for the freedom of association and 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. The agreement, which we renewed in 2019, is

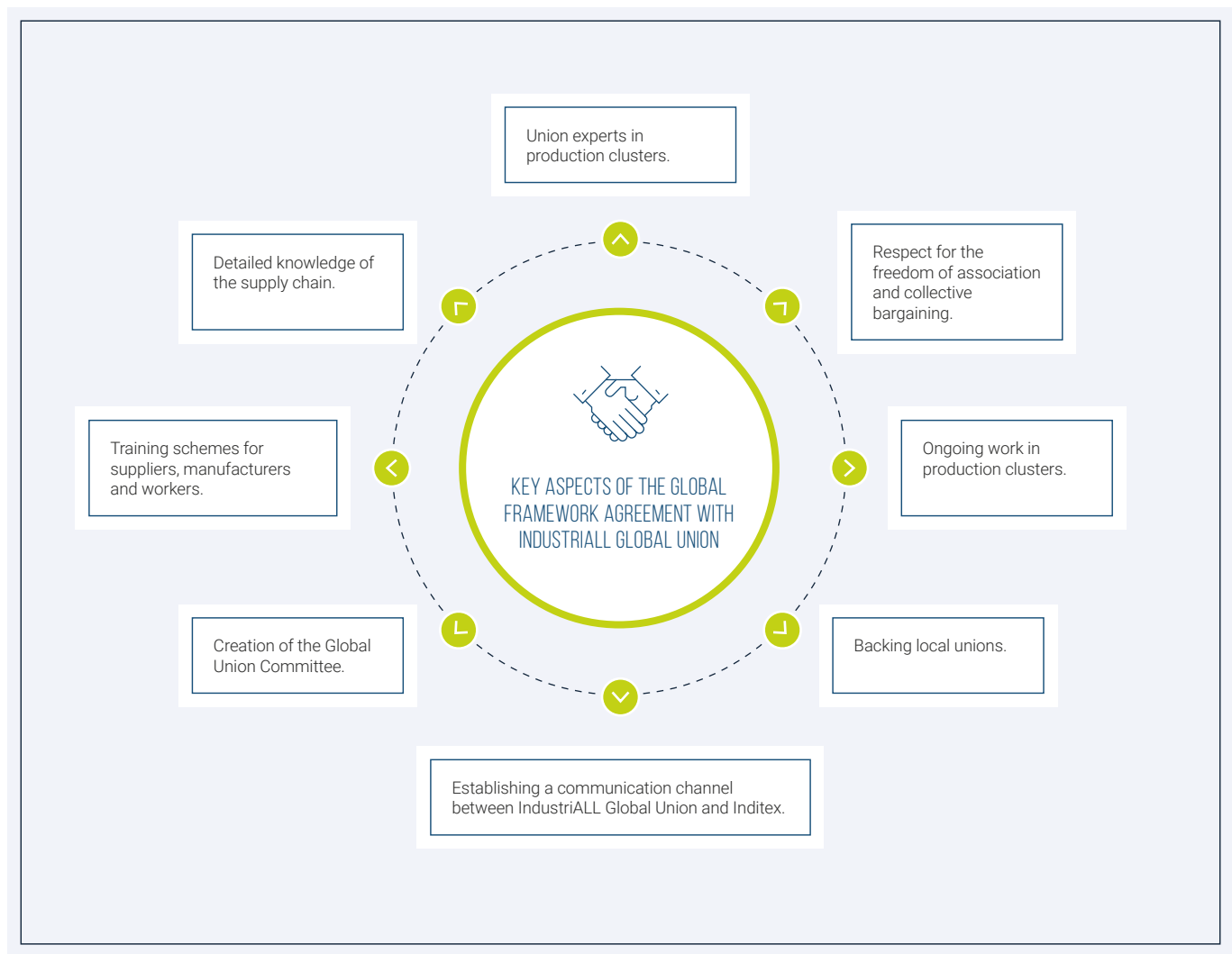
testament to the Group and IndustriALL's commitment to the promotion of labour rights in the textile and footwear industry, as well as compliance with international labour standards and our own Code of Conduct for Manufacturers and Suppliers.

Under the Global Framework Agreement, collaboration on the ground between our own teams and local IndustriALL members plays a fundamental role, making it possible to put programmes and actions into place in factories. Transparency is key to ensuring this collaboration remains fluid and fruitful. We therefore share a comprehensive list of suppliers and factories with IndustriALL, covering all tiers and processes, and showing their level of compliance in sustainability. We also give IndustriALL and all their local members access to all our suppliers and manufacturers' production centres.

EVOLUTION OF THE GLOBAL FRAMEWORK AGREEMENT



In 2019 we renewed our Global Framework Agreement with IndustriALL Global Union, agreeing to set up a Global Union Committee where workers from all our clusters will be represented



KEY CONTRIBUTION



Renewal of the Global Framework Agreement with IndustriALL Global Union

13 November 2019 saw the renewal of our Global Framework Agreement with IndustriALL Global Union, cementing our commitment to collaborate with IndustriALL on guaranteeing safe and decent working conditions for everyone working in our supply chain.

The creation of a Global Union Committee was agreed in this new phase, where workers from each of the production areas we operate in will be represented. The aim is to share and promote best industry practices with regard to the right to freedom of association and collective bargaining.

Inditex is the world's first fashion distribution company to have this structure in place, which will be composed of union representatives from our main sourcing regions and countries, as well as representatives from Comisiones Obreras and Unión General de los Trabajadores unions in Spain.



Renewal of the Global Framework Agreement with IndustriALL Global Union on 13 November 2019.

02.01.02/ Guaranteeing effective mechanisms for worker representation

By engaging in social dialogue, employers and worker representatives can address any issues relating to the interests of workers. At Inditex we support programmes and activities to promote effective mechanisms for worker representation at both an individual manufacturer and sector level; always with the highest level of respect for the right to the freedom of association and collective bargaining.

A sector level highlight is the development of the Guide to Freedom of Association, agreed between IWFM – an IndustriALL member in Myanmar – and manufacturer and supplier representatives of brands belonging to the ACT (Action, Collaboration, Transformation) initiative.

 More information on page 111 of this Annual Report.

At a factory level, in addition to the effective implementation of the Global Framework Agreement, we are collaborating on other initiatives supporting the promotion of industrial relations at work centres throughout our production chain.



02.01.03/ Raising awareness of social dialogue and worker participation

We involve workers, their representatives, and factory and

supplier management in activities to strengthen their skills in social dialogue. 2019 highlights include working together with IndustriALL on activities in Bangladesh, India and Morocco; and with the ILO in Myanmar.



02.02/ Living wages

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT
PROJECTS AND PROGRAMMES:

37 factories with **21,488 workers**

SUPPLIERS TRAINED:

22 suppliers trained in the **Lean Project** and **12 suppliers** took part in ACT meetings in Myanmar (**19,210 workers**)

BUYERS TRAINED IN RESPONSIBLE
PURCHASING PRACTICES:

220 buyers at the Inditex headquarters and **75 buyers** in the local commercial teams

RELATED SDGs



CORE STAKEHOLDERS

IndustriALL Global Union / International Labour Organization /
Better Than Cash Alliance / ACT (Action, Collaboration, Transformation)
/ Universidade do Minho

FACILITATING THAT WORKERS IN THE SUPPLY CHAIN EARN LIVING WAGES

WHAT IS A LIVING WAGE?



Pursuant to the ACT definition to which Inditex adheres:

"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 (in other words, without overtime)."

INDITEX LIVING WAGE STRATEGY



APPLIED
THROUGHOUT
THE INDITEX
SUPPLY CHAIN



COLLABORATION
WITH THE
INDUSTRY



INDITEX EXPERT
WORKING GROUP
(Bangladesh, Turkey,
China, Cambodia,
India, Spain).



FOCUS ON ONGOING
IMPROVEMENT



GOAL

- / Promoting and facilitating collective bargaining.
- / Effectively implementing responsible purchasing practices.
- / Enhancing the production organisation systems and methods.
- / Improving management systems and wage digitisation.

Everybody has the right to receive a living wage as compensation for their work. This is considered by the ILO as one of the essential human rights to achieve “universal and lasting peace”.

At Inditex we are committed to enabling the workers of the factories in our supply chain to receive a living wage. This commitment is based on our Code of Conduct for Manufacturers and Suppliers, which stipulates that all workers in the supply chain must receive sufficient wages to cover their basic needs and other additional needs of their families.

On this basis, and based on the work carried out thus far to promote living wages, in 2019, we redefined our strategy, crafted according to four specific goals chiefly linked to SDGs 8, 9, 10 and 17.

In social audits we verify how much the workers are paid and whether the amount can be deemed a living wage, analysing the various wage components, the times and the payment system used, and the wage management systems available to the factory. This information enables us to identify the main fields of action that must be impacted by the living wage strategy.

To develop our strategy we work with other brands and various stakeholder groups in the textile sector. We consider obtaining living wages to be a common challenge for the whole industry and one which requires the collaboration of all the parties to achieve it, ranging from suppliers and manufacturers, to the countries’ governments. Along these lines, our collaboration in the ACT (Action, Collaboration,

Transformation) initiative is one of the keys to our living wage strategy.

Furthermore, in 2019, we have promoted supplementary approaches such as the digitisation of wages, and the financial education of workers.

Our lines of action in this Priority Impact Area are:

- Promoting and facilitating collective bargaining: we believe that the most sustainable way of achieving living wages in the industry is through collective bargaining. Through the ACT initiative, and within the framework of our Agreement with IndustriALL Global Union, we work to foster the creation of spaces for dialogue that encourage the reaching of agreements in the textile industry regarding wages.
- Effectively implementing responsible purchasing practices: Through the ACT initiative we partner with other brands in the sector for the joint development of responsible purchasing practices. We train our buyers and the suppliers to apply these practices.
- Enhancing the production organisation systems and methods: aware of the impact these systems have on the working conditions of employees, we chiefly support suppliers in their improvement through our Lean Project and the ILO SCORE programme.
- Improving management systems and wage digitisation: as members of the Better Than Cash Alliance, we work towards the digitalisation of payments in the supply chain. In 2019, Bangladesh was the focal point of our actions.



02.02.01/ Promoting collective bargaining

At Inditex we believe the most sustainable way of securing living wages in the industry is through collective bargaining. This is why we work on enabling factories and suppliers to develop mature industrial relations so they can reach agreements in this area. Our work with IndustriALL Global Union under our Global Framework Agreement is one of the tools we use. These activities include educating workers on their rights, supporting them in electing representatives, and encouraging collective bargaining with initiatives for workers, employers and unions.



More information on page 105 of this Annual Report.

INDITEX SUPPLY CHAIN FACTORIES COVERED BY COLLECTIVE AGREEMENT IN 2019

GEOGRAPHICAL AREA	NUMBER
Africa	36
Americas	55
Asia	75
Europe (non-EU)	26
European Union	2,107

Through the ACT (Action, Collaboration, Transformation) initiative, promoted by international brands and IndustriALL Global Union, we are working on promoting platforms for dialogue that can be used for putting garment industry agreements in place to secure decent wages and working

conditions, bolstered by responsible purchasing practices. In 2019 various schemes were implemented under the ACT framework, with those in Myanmar, Turkey, Bangladesh and Cambodia being particular highlights.

Four meetings were held in Myanmar, with the participation of 12 manufacturers (16,020 workers) from the Inditex supply chain in the country. A major milestone achieved through the work of the ACT in Myanmar in 2019 was the development of the *Guide to Freedom of Association*.

In Turkey progress was made on the alignment of local and global ACT initiatives, as well as a joint approach to increasing supplier participation and raising awareness of ACT principles.

Similarly, in 2019 ACT made initial inroads in Bangladesh to lay the foundations for a dialogue between the initiative and employer federations.

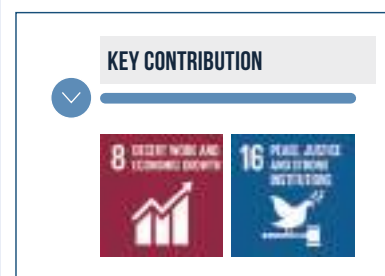
Again, under the ACT framework, we implemented campaigns to raise awareness of the freedom of association and the promotion of collective bargaining in Cambodia. We sent various communications on the ACT initiative to the 16 main suppliers operating in the country to encourage their support of the initiative. Meanwhile, ACT sent a letter to the Cambodian manufacturers' association GMAC to seek negotiations with the country's unions with the aim of setting up collective agreements and advocating respect for the freedom of association and collective bargaining. Inditex also sent this same letter to nine of the country's suppliers and factories belonging to GMAC.

Guide to Freedom of Association in Myanmar

The aim of this guide is to support the development of constructive industrial relations between employers and workers, ensuring the principles of the freedom of association are applied under the framework of international labour standards. The guide covers practical ways harmonious industrial relations can be established, for example meetings between management and union representatives and conflict resolution procedures.

The guide was agreed by representatives of suppliers and manufacturers working for brands belonging to ACT in the country, and the Industrial Workers Federation in Myanmar (IWM), a local IndustriALL Global Union member. The International Labour Organization also provided technical guidance on drafting the guide to ensure content is aligned with international labour standards.

The guide represents a milestone in industrial relations in Myanmar, and is one of the textile industry's benchmark agreements. It can also be used for reference by our suppliers and manufacturers in the country for freedom of association and collective bargaining matters, along with local and international legislation, our Code of Conduct for Manufacturers and Suppliers, and our Global Framework Agreement with IndustriALL.



02.02.02/ Responsible purchasing practices

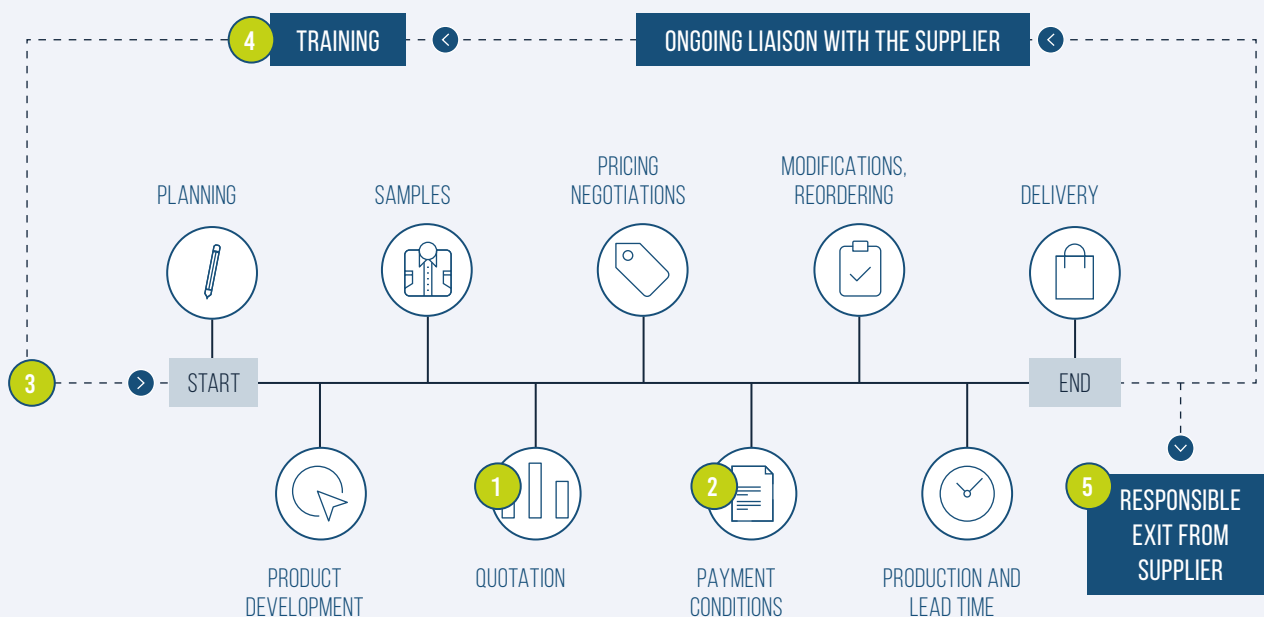
Responsible purchasing practices encourage decent working conditions, in particular decent wages. After all, purchasing planning, lead times, pricing criteria and our strategy on commercial relationships with suppliers are all key to this strategy.

We are working with ACT on the joint development of responsible purchasing practices. As a member of this initiative, Inditex signed a Memorandum of Understanding with IndustriALL in 2015, endorsing our commitment to purchasing practices conducive to paying living wages.

In 2019 we trained more than 200 purchasers on responsible purchasing practices. Specifically, they received guidance on the commitments put in place by ACT and how these can be implemented in the Company.

Our work on responsible purchasing practices extends not only to purchasers, but to suppliers too. Over the course of 2019 we maintained an ongoing dialogue between suppliers and purchasers, which has been key to implementing new parameters to measure purchasing practices in line with the Accountability and Monitoring Framework agreed by ACT brands in September 2019. This framework represents a step forward in due diligence in purchasing practices, allowing the assessment and monitoring of compliance with the principles outlined in the MoU signed with IndustriALL.

PURCHASING AND PRODUCTION CYCLE



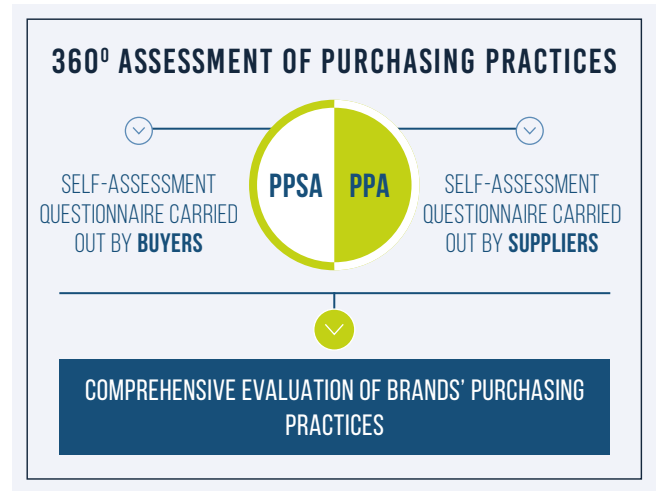
COMMITMENTS IN PURCHASING PRACTICES

- 1. Purchasing prices include wages as an itemised cost:** Include and respect the wage component of a product in negotiations.
- 2. Fair terms of payment:** Supplier payments made according to conditions previously agreed between the parties.
- 3. Better planning and forecasting:** Transparent communications with suppliers on the purchasing process.
- 4. Undertake training on responsible sourcing and buying:** Provide training on best purchasing practices.
- 5. Responsible exit strategies:** When a decision is made to stop working with a manufacturer for whatever reason, it must be done responsibly in a way that minimises the decision's impact on the manufacturer's operations.

Likewise, in 2019, 45 suppliers from the Inditex supply chain in Turkey assessed purchasing practices by completing a questionnaire (PPA).

We also worked individually with buyers from all our brands, primarily through ongoing training. As well as training 220 buyers in responsible purchasing practices as mentioned previously, our cluster teams trained a total of 75 buyers from various local teams over the course of the financial year.

 More information on page 94 of this Annual Report.

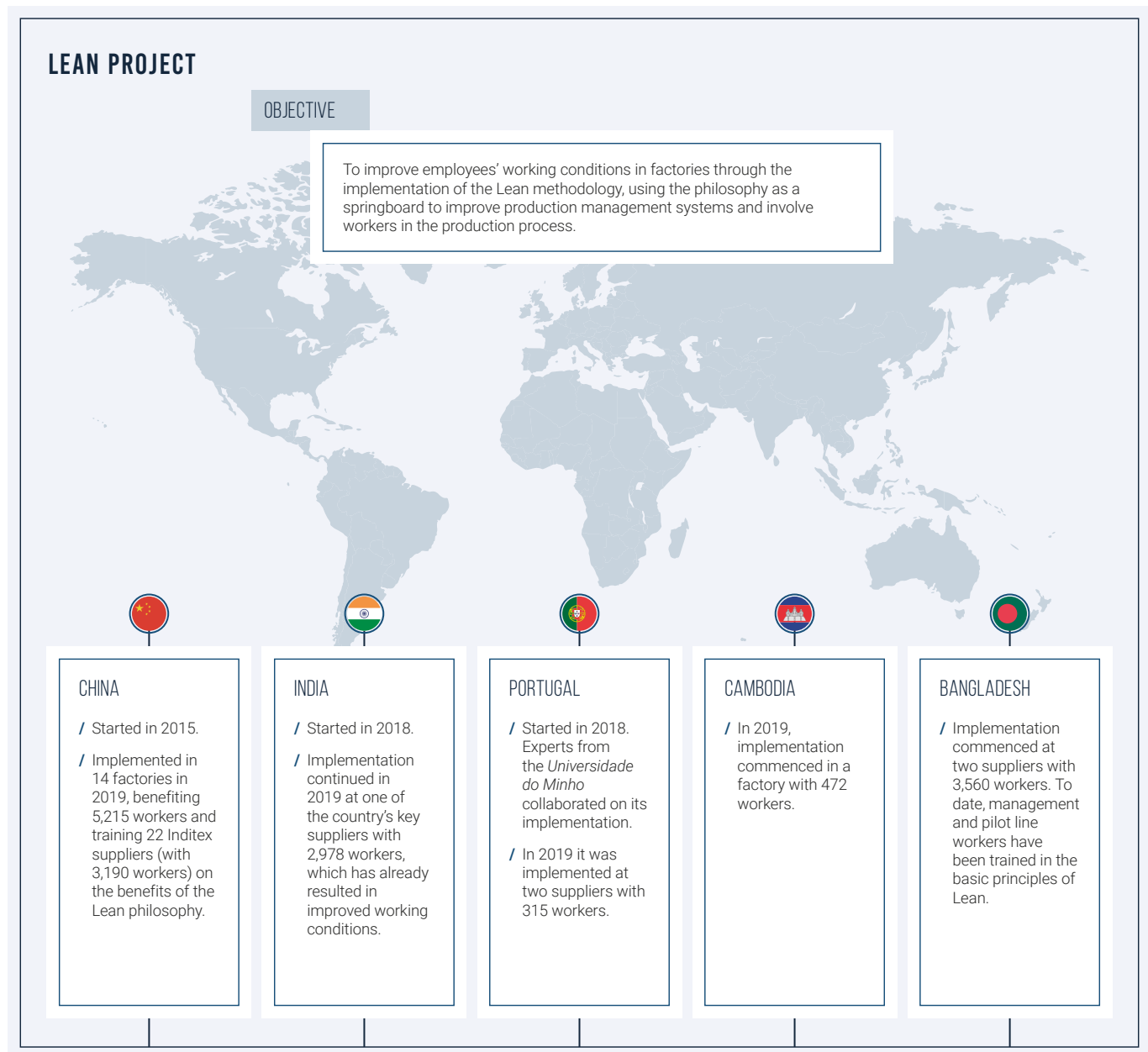


02.02.03/ Enhancing the production organisation systems and methods

Methods and systems for managing factory production have a direct impact on working conditions. How production is organised has a bearing on issues such as health and safety, working hours, wages and levels of work satisfaction.

We tackle these improvements through two programmes at Inditex: the Lean Project (an internal Inditex project) and the ILO's SCORE Programme, with a twofold objective:

- To improve working conditions and worker satisfaction.
- To optimise factory production systems and support management with the ongoing improvement of their performance and competitiveness.



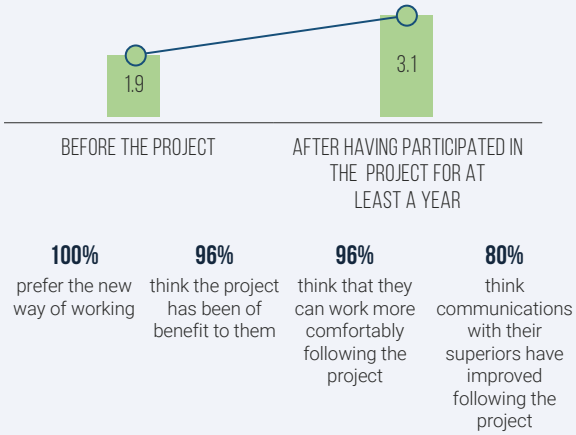
By supporting the improvement of our suppliers and manufacturers' production management systems, we are making a contribution to improving working conditions and worker satisfaction.

MEASURING THE IMPACT OF THE LEAN PROJECT



WORKERS' OPINIONS

WORKER SATISFACTION ⁽¹⁾



The above findings are based on personal interviews carried out among a sample of workers in factories participating in the project. Data relates to nine factories that have been involved in the project for at least a year (factories located in China, India and Cambodia).

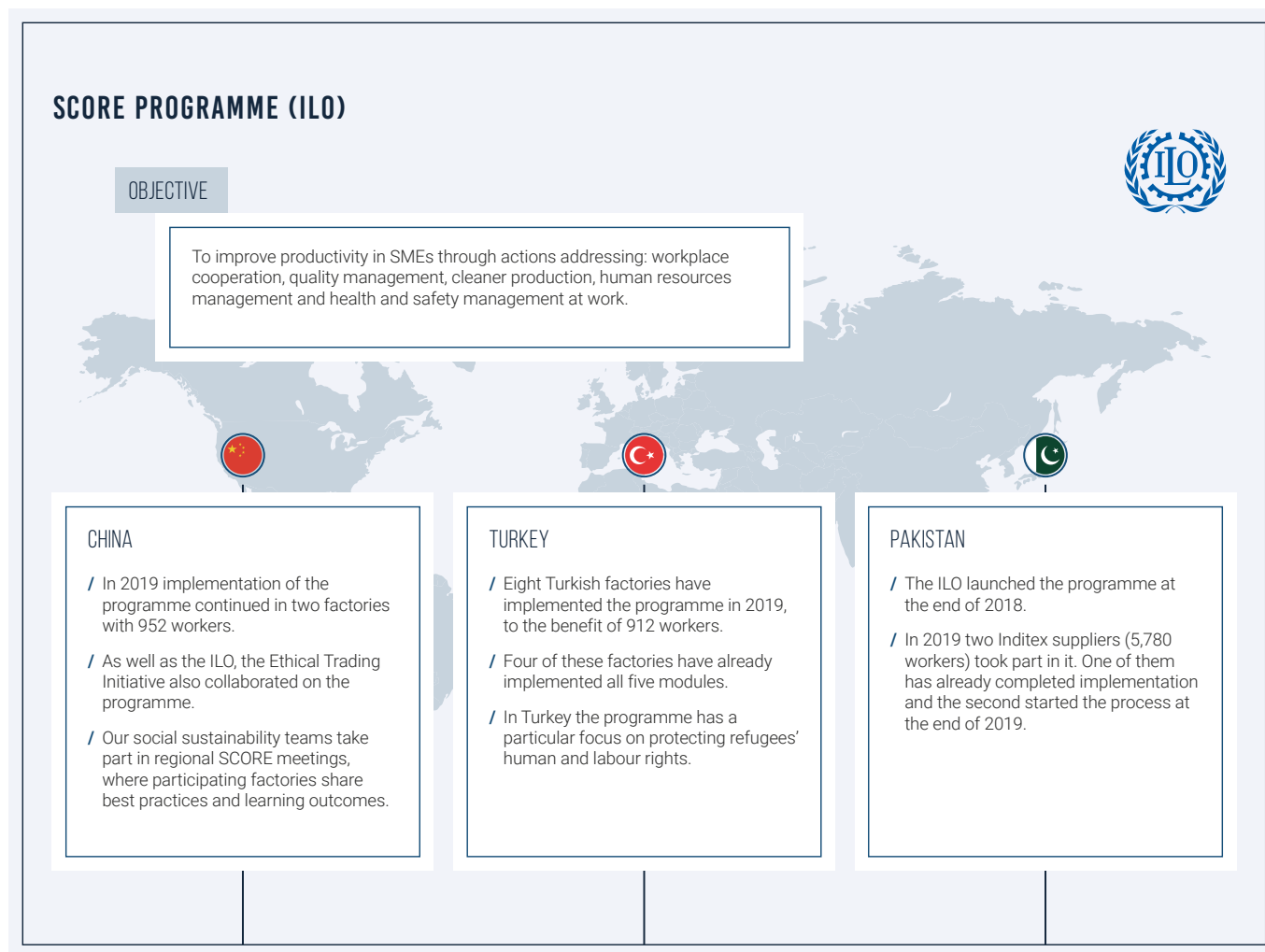
(1) Workers' satisfaction is scored from 1 to 4.



SCORE Programme (ILO)

The SCORE (Sustaining Competitive and Responsible Enterprises) Programme, developed by the International Labour Organization, is split into five modules that focus on improving SMEs' management systems in order to improve working conditions and promote fundamental labour rights. At Inditex we have participated in the programme since 2014 in several of the countries in our supply chain, supporting our providers and the ILO teams who implement it.

As well as these two main programmes, we also carry out activities at a local level in collaboration with specialist organisations. In Argentina for example, our local team is collaborating on a project with the National Institute of Industrial Technology (INTI). In 2019 two suppliers took part, to the benefit of 262 workers. The teams at the INTI and Inditex supported suppliers in improving their production management systems, which had a positive impact on employees' working conditions.



The ILO SCORE programme seeks to improve SMEs' management systems in order to improve working conditions and promote fundamental labour rights.

02.02.04/ Improving management systems and wage digitisation

The main working areas in this field are:

- Analysing and improving wage and working hours management systems.
- Wage digitisation and financial empowerment.

These two working areas, in the same way as previous activities, contribute not only to workers receiving a living wage, but to them receiving it on time and in a way most beneficial to them, promoting financial inclusion and education.

In this vein, we are educating our suppliers on how digitised wage payments facilitate the empowerment and financial inclusion of workers. At the same time it is more efficient, entails less risk, and promotes the transparency of transactions: all of which bolsters the development of our strategy for living wages.

We also see wage digitisation and financial empowerment as being closely tied with women's empowerment, as it facilitates their inclusion in the household economy and financial decision-making. In this sense, our wage digitisation strategy goes hand-in-hand with our women's empowerment strategy in countries such as Bangladesh and India.

 More information on page 122 of this Annual Report.

WORKING AREA	COUNTRY	OBJECTIVE	DESCRIPTION	COLLABORATION	INDICATORS
ANALYSIS AND IMPROVEMENT OF WAGE AND WORKING HOURS MANAGEMENT SYSTEMS	China	Complement audit methodology with an in-depth evaluation of the factory's management systems in order to detect any potential areas for improvement.	Thoroughly analysing wage and working hours management systems. The project began in 2018, and following an initial observation and evaluation phase a plan of action was developed and implemented in 2019, focusing on solving the root causes of inefficiencies detected in the initial phase.	Internal programme.	A factory with 300 workers.
WAGE DIGITALISATION AND FINANCIAL EMPOWERMENT	Global	Promote wage digitisation as a method of remuneration throughout the supply chain and promoting the transition to a digital economy worldwide.	Membership of the Better Than Cash Alliance in 2018, a partnership between governments, companies and international organisations.	Better Than Cash Alliance.	Event to raise awareness in Bangladesh and cooperate with other stakeholders in the country.
	Vietnam	Develop and implement digital solutions to the benefit of both companies and workers.	Analysing the Vietnam context to examine payment digitalisation, including interviews with employees.	International Labour Organization. Women's World Banking.	Two factories with 742 workers took part in the study.

Wage digitisation in Bangladesh

An event was held in Dhaka (Bangladesh) on 20 November 2019 to publicise the benefits of wage digitisation and its promotion in the Bengali textile industry.

The event was organised by Access to Information (a2i) (a programme from the Bangladeshi government's TIC division), the United Nations Development Programme, Better Than Cash Alliance, BSR, and the Bangladesh Garments Manufacturers and Exporters Association (BGMEA). Inditex and other brands with supply chains in the country also took part and supported the event, collaborating on its design and inviting our suppliers to attend.

Various speakers shared their experiences and learnings at the event, from government members (such as the Minister of Industry) to suppliers that have already digitalised their wages. Two female workers from one of the factories where Inditex implemented the BSR's HERfinance Digital Wages programme shared their experiences, explaining how receiving their wages digitally (by mobile banking in this case) had benefited and empowered them.

A document on the principles of supporting digitisation, produced by Inditex and other brands in collaboration with BTCA, BSR and the Bill and Melinda Gates Foundation was shared at the event. The document encourages more brands to support wage digitisation and encourages suppliers to roll it out in their companies.

KEY CONTRIBUTION



02.03/ Women Empowerment

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT
PROJECTS AND PROGRAMMES:

46 factories with **45,579 workers**

SUPPLIERS TRAINED:

140 suppliers and manufacturers with **126,326 workers** trained
in subjects related to women empowerment.

RELATED SDGS



CORE STAKEHOLDERS

International Labour Organization / BSR / Swasti /
Medicus Mundi

PROMOTING THAT ALL THE WOMEN IN THE SUPPLY CHAIN BENEFIT FROM THE BEST CONDITIONS AND THE SAME OPPORTUNITIES AS MEN.

Women represent the majority of the workforce in the textile sector supply chains and they face various challenges at work compared to their male counterparts.

Gender equality is a prerequisite to any sustainable development goal, since it holds the potential to reverse inequality in relations of power between women and men and it addresses the structural barriers that prevent progress.



Our women empowerment strategy in the supply chain is based in three pillars: health, protection and empowerment.

Of the 17 SDGs, only one, SDG 5 (Achieve gender equality and empower all women and girls) is focused on a specific collective and applied in a cross-cutting way to the other goals.

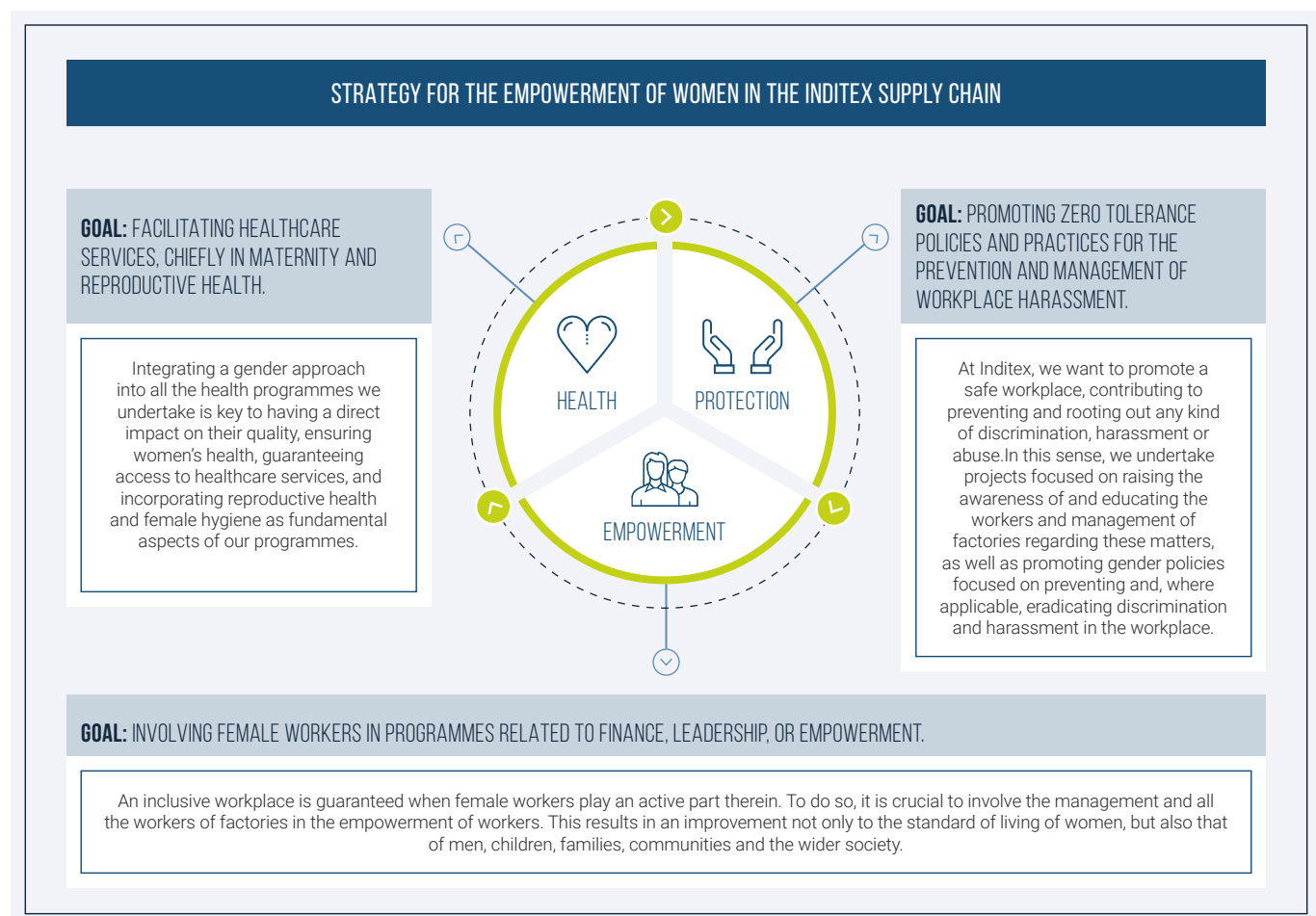
We are fully committed to this goal. Women represent more than half of the workforce in our supply chain. Therefore, to achieve a stable and sustainable supply chain, we promote gender equality and we champion practices that encourage the inclusion of women and their development. All empowered women have the potential to transform their family, community, economy and society.

At Inditex, we have a strategy for the empowerment of women in the supply chain, which was approved in 2017 and renewed within the framework of the new *Workers at*

the Centre 2019-2022 Strategy. Through this strategy, we seek to encourage the men and women working in our supply chain to enjoy the same rights and opportunities.

This strategy is focused on three core goals:

- Health: Facilitating healthcare services, chiefly in maternity and reproductive health.
- Protection: Promoting zero tolerance policies and practices for the prevention and management of workplace harassment
- Empowerment: Involving female workers in programmes related to finance, leadership, and empowerment.



02.03.01/ Health: Facilitating health care

According to the World Health Organisation, 1,600 women and more than 10,000 newborns die each day due to preventable complications in pregnancy and childbirth.

At Inditex we advocate improved access to health care for women, as well as family planning and maternal health. By maintaining an active presence across our supply chain, we have successfully brought these measures to a large number of women who would otherwise have had difficulties accessing products and services.

In June 2019, at an event organised by Women Deliver – a global organisation that champions the rights of women and girls – ten companies including Inditex and the United Nations Foundation announced our commitment to improve the health and empowerment of female workers across our supply chains. More specifically, Inditex committed to reaching a target of 70,000 female workers being covered by healthcare services, chiefly maternity and reproductive health services, by 2022.

The main projects related to women's health care in 2019 were the following:

Sakhi Health programme in India

In 2019 we launched a new version of our Sakhi Health programme in India in 18 factories (with 26,907 workers), which we developed in collaboration with St. Johns Medical Academy of Health Services. The new programme maintains the goal of creating best practices in health, hygiene, nutrition, menstruation and reproductive health of female workers; at the same time as tackling issues such as health counselling in factory canteens, nurseries and clinics, and providing specialist training for pregnant women and fathers of children under five.

Programme to improve health and social care in the textile industry with Medicus Mundi Sur in Morocco

Our collaboration with Medicus Mundi Sur (MMSur) in Morocco began in 2014, when we implemented a programme to improve the social and health situation of textile workers in the country. Since then we have strengthened our collaboration, bolstering the programme further and tackling new issues, always with the cooperation of public bodies in Morocco. In 2019, 15 factories and suppliers took part in the programme, reaching a total of 4,489 workers.

In addition we have developed a medical campaign for workplace disease prevention every year under this same programme, enabling us to identify conditions such as diabetes, high cholesterol and anaemia among others. All companies were given a satisfaction survey to evaluate and assess the recommendations and requirements of companies and workers after medical campaigns.



02.03.02/ Protection: zero tolerance to workplace harassment

Our Code of Conduct for Manufacturers and Suppliers includes the prohibition of discrimination (including for gender-based reasons) and the prohibition of abuse or inhumane treatment. To ensure compliance with the Code, if any potential non-conformity with these points is detected, our auditors will raise a gender alarm and the issue will be dealt with on a case-by-case basis.


As a complement to this work, we have put various programmes into place at Inditex to promote best practices and encourage suppliers to develop their own policies on zero tolerance to workplace harassment. We have also joined forces with other relevant industry stakeholders to achieve these aims. In this vein, the Foro de la Moda (a fashion industry forum which Inditex is a member of, together with organisations in the third sector) and members of IndustriALL Global Union in Spain — UGT and CCOO — sent the ILO a letter of support for the adoption of Convention 190 on the elimination of workplace violence and harassment. The convention was finally approved by the ILO in June 2019.

WORKING AREA	COUNTRY	OBJECTIVE	DESCRIPTION	COLLABORATION	INDICATORS
A FOCUS ON GENDER IN HUMAN RESOURCES MANAGEMENT	Turkey	Analyse Human Resources management systems in our suppliers' factories in the country with a gender-based approach to detect any potential areas for improvement.	Project stages: - Initial evaluation In-situ analysis and documentation research. - Recommendations for improvement by management area. - Measuring the impact through follow-up factory visits. - Training with an NGO for workers and management.	Internal programme.	Three factories with 1,075 workers.
SOWBHAGYAM PROJECT	India	Prevent the practice of Sumangali, an abusive employment practice that primarily affects young female workers.	In place since 2013. The project is currently focusing on improving interaction with recruitment agents and preparing a tool kit on commitment to the community, including how the project itself works so that it can be replicated.	Save.	Training 71 local organisations.
SAKHI WORKER WELLBEING	India	Support and train workers and implement systems to encourage a climate of equality.	The main focus for the year was providing technical support to participating suppliers to enable them to implement it themselves.	Swasti.	Eight factories with 14,880 workers.
TRAINING IN PREVENTING SEXUAL HARASSMENT IN THE WORKPLACE	India	Raise awareness among workers of sexual harassment and promote prevention in the country.	Interactive sessions on various themes, from what constitutes sexual harassment to the various mechanisms that can be used to confront it, such as laws against such acts in India.	Internal programme.	42 suppliers with 107,508 workers.
PROTECTION PROJECT WITH MEDICUS MUNDI SUR	Morocco	Raise awareness among female and male workers on gender-based violence, sexual harassment, and the procedures to follow should any issues arise.	Training and support on the prevention of harassment and violence for those potentially affected.	Medicus Mundi Sur and the Union of Feminist Action.	1,118 workers.



02.03.03/ Empowerment: involving female workers in financial, leadership and empowerment programmes

The ultimate aim of all the actions in our women's empowerment strategy is to provide tools to enable them to actively participate in work, family and social life, thereby improving the quality of life of families, communities and society at large, and contributing to the construction of robust and fair economies.

WORKING AREA	COUNTRY	OBJECTIVE	DESCRIPTION	COLLABORATION	INDICATORS
FINANCIAL EMPOWERMENT PROGRAMMES	India and Bangladesh	Promote the financial empowerment of female workers as a tool to combat gender inequality and discrimination.	Participation in the HERfinance and HERfinance Digital Wages programmes working towards the sound transition from wages being paid in cash to digital payments, and financial education, as tools for inclusion and empowerment. <i>These activities are all in line with our wage digitisation strategy in the previous section.</i>  More information on page 117 of this Annual Report.	BSR	<i>Two factories in Bangladesh (with 4,319 workers) have implemented HERfinance Digital Wages. Two factories in India (with 4,691 workers) have started HERfinance implementation.</i>
MIG SCORE	Turkey	Participation in the ILO MIG SCORE programme in Turkey, which aims to promote gender equality, with SMEs and organisations from the social and solidarity economy.	In 2019 the project came to an end with the last two steps being completed, including ILO consultancy and improvement programmes. A closing meeting was conducted to share learning outcomes and best practices. Local purchasing teams from Inditex attended the meeting.	ILO	Four factories (769 workers).
TOGETHER STRONG	Turkey	Raise awareness among female and male workers on gender equality.	Pilot project commenced in 2019. Training given in collaboration with AÇEV, an expert organisation.	AÇEV	One factory (91 workers).
EDUCATION AND AWARENESS	Turkey	Raise awareness on human rights, improving knowledge on gender equality and maintaining a workplace free of violence and discrimination.	Face-to-face training and information sharing to raise awareness on gender quality.	<i>Women for Women's Human Rights - New Ways (WWHR)</i>	79 factories and 19 suppliers (18,818 workers).

KEY CONTRIBUTION



inditeXher + BSR | HERproject
HEALTH • EMPLOYMENT • EDUCATION



In 2019 we devised a pilot programme in collaboration with the organisation BSR, for both our social sustainability teams and buying teams to take part in. The project, which we have named InditeXher, aims to develop women's empowerment programmes in factories and assess the impact they have on purchasing projects and vice-versa. The project includes the following activities among others:

- Development of health projects (HERhealth)
- Development of financial empowerment projects (HERfinance)
- Specialist gender training for commercial teams, sustainability teams, suppliers and factories involved in the project.
- Creating a special tool to assess the impact of the strategy on purchasing practices.

Through this project we hope to improve communication and engagement between workers and management, as well as between the various divisions of Inditex. Ultimately this will have a positive impact on the lives of female workers whilst simultaneously improving the Group's purchasing practices.

02.04/ Occupational health and safety

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT
PROJECTS AND PROGRAMMES:

428 factories with **636,430 workers**

SUPPLIERS TRAINED:

290 suppliers and manufacturers with **192,710 workers**
trained in occupational health and safety.

RELATED SDGS



CORE STAKEHOLDERS

IndustriALL Global Union / Accord / Medicus Mundi /
Autoridade para as Condições do Trabalho (Portugal) / Universidade do
Minho / National Safety Council, India

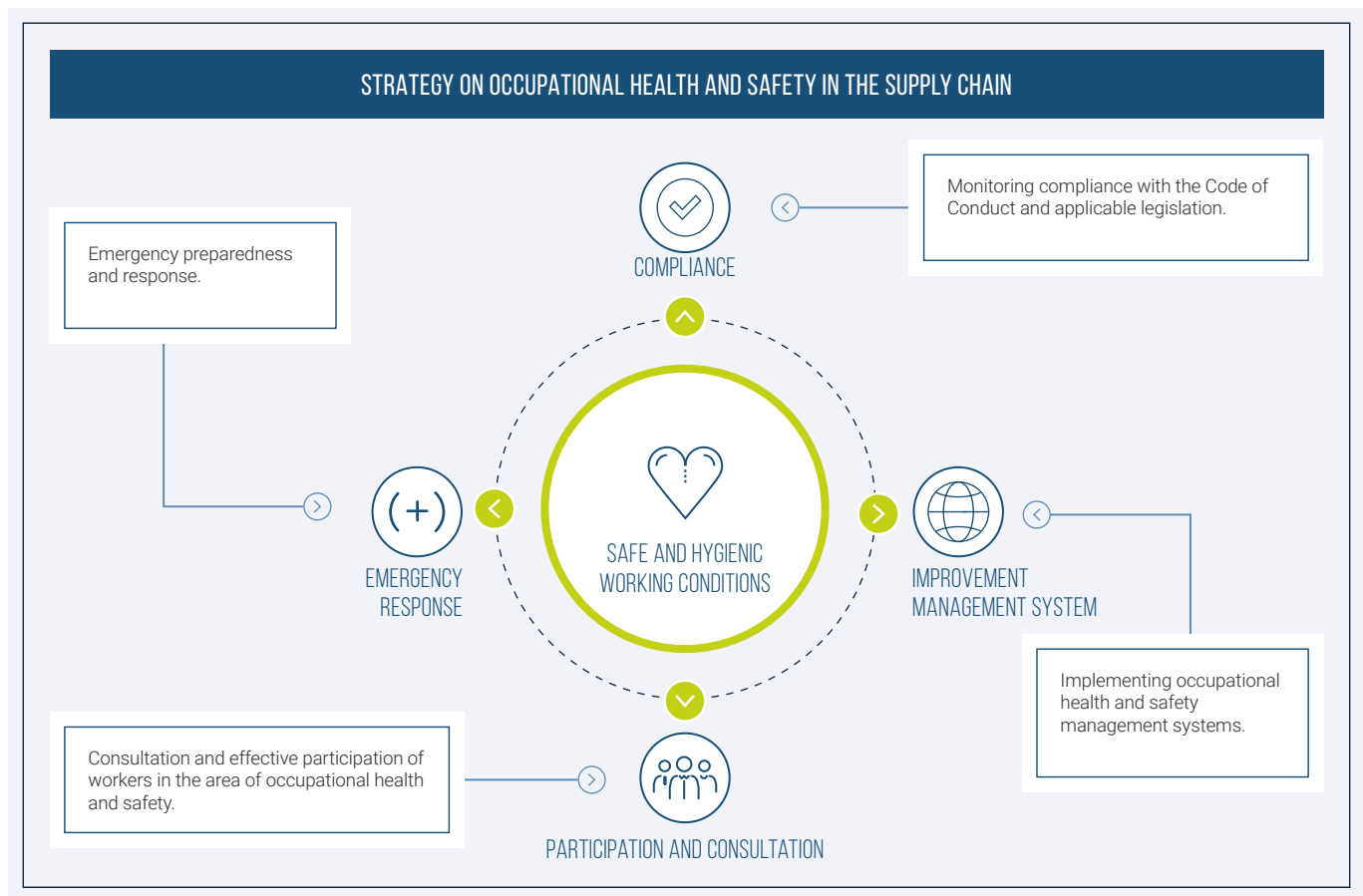
GUARANTEEING THAT WORKERS IN THE SUPPLY CHAIN ARE PROTECTED AGAINST RISKS TO THEIR OCCUPATIONAL HEALTH, SAFETY, AND WELL-BEING.

In our industry, like in other production industries, there are occupational risks that can cause injury. In this sense, conventions, directives, standards, and legal requirements play a fundamental part. Other relevant global commitments, such as the Sustainable Development Goals (SDGs), also influence the context of occupational health and safety, particularly SDG 3, which includes targets closely linked to occupational health and safety. Our strategy on occupational health and safety in the supply chain is aligned with these international standards and commitments.

Occupational safety in the textile sector includes aspects as diverse as the structural safety of buildings, the management of chemical products, electrical machinery, and other ergonomic factors. Raising awareness on and engaging in the ongoing improvement of labour conditions from a health and safety perspective is a key factor in the protection of workers. This context leads us to consider the health and safety in our supply chain as a priority area within our *Workers at the Centre 2019–2022 Strategy*.

Occupational health and safety experts from the Inditex teams in the main production countries ensure the strategy





is correctly implemented. Similarly, the contribution of different stakeholder groups is key to encouraging the positive impact of initiatives. The textile industry itself has responded to many of the existing challenges through global initiatives, such as the *Accord on Fire and Building Safety in Bangladesh* (also known as *Accord*), which is an example of progress in the safety of the textile sector in that country.

The strategy is implemented through the following areas of work:

- Compliance with the Code of Conduct and the applicable legislation: using the information obtained when executing

the sustainability compliance model, we set out projects and activities for our suppliers and manufacturers.

- Effective participation of workers in the area of occupational health and safety: we foster the setting up of health and safety committees in factories.
- Training and accompanying suppliers when implementing occupational health and safety management systems.
- Emergency preparedness and response: guaranteeing that our suppliers have a coherent, updated, and assimilated emergency plan, is a central objective in our strategic plan.

We are committed to ensuring the workers in the supply chain carry out their activity in safe and healthy environments.

02.04.01/ Monitoring compliance with the Code of Conduct and relevant legislation

By carrying out audits, our compliance programme provides us with information on health and safety risks to workers, enabling us to establish priority areas to work on at a thematic level.

Working with these priorities, we set out projects and activities involving our suppliers and manufacturers, with the ultimate goal of improving safety in the workplace and consistent compliance with the Code of Conduct. As well as improvement projects, we carry out actions relating to auditor training, reviewing our own methodologies and training our internal teams.

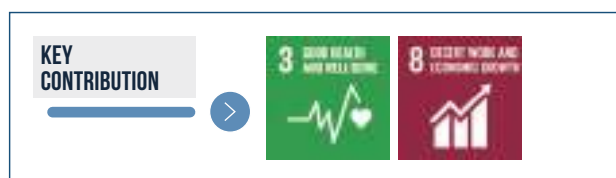
PROJECT	COUNTRY	DESCRIPTION	COLLABORATION	INDICATORS
HEALTH AND SAFETY ASSESSMENT, CONTINUOUS IMPROVEMENT AND TRAINING	Morocco	Project initiated in 2015 to check whether corrective actions have been successfully implemented in factories. Following remediation, a social audit verifies the positive impact of the actions.	Internal programme.	21 factories (7,381 workers) included in the project, with 10 receiving individual training.
HEALTH AND SAFETY TRAINING, ASSESSMENT AND CONTINUOUS IMPROVEMENT	China	Project commenced in 2019 in collaboration with Nanjing University EHS Academy and health and safety experts, providing training in fire, electrical and machine safety, and chemical processes safety management. Assessment of the companies trained and the implementation of corrective plans are now in progress and will continue over the course of 2020.	Nanjing University EHS Academy.	13 suppliers and 23 factories trained (9,058 workers).
STRUCTURAL, FIRE AND ELECTRICAL ASSESSMENT FOR NEW SUPPLIERS AND FACTORIES	Bangladesh	When working with new suppliers and manufacturers in Bangladesh, the onboarding process includes a structural, fire and electrical assessment to identify any risks present in facilities prior to becoming part of our supply chain In 2019 we introduced a technical assessment for any buildings not inspected by Accord and a pilot scheme for suppliers of raw materials.	Internal programme.	122 assessments of new suppliers and manufacturers of the finished product. 25 assessments of new suppliers and manufacturers of raw materials. 24 assessments of finished garment buildings not inspected by Accord.
MONITORING OF COMPLIANCE WITH ACCORD'S CORRECTIVE ACTION PLANS	Bangladesh	As a signatory of the Accord on Fire and Building Safety in Bangladesh, Inditex is committed to health and safety in textile factories. Supported by an external team dedicated to Inditex, our engineers verify and monitor the effective implementation of corrective actions in our suppliers and manufacturers as required by the Accord.	Internal programme.	383 monitoring visits to 76 suppliers and 51 manufacturers (304,173 workers).

Improving workplace health and safety conditions in the supply chain in Portugal

In 2017 we started a project in collaboration with the *Autoridade para as Condições do Trabalho*, IndustriALL Global Union, FESETE, SINDEQ and the *Universidade do Minho*, with the aim of improving workplace health and safety in the supply chain in Portugal.

In 2019, 42 suppliers attended a new training session to provide continuity on awareness, assessment and corrective tasks relating to the breaches this project encompasses. IndustriALL, its local members and health and safety experts from the *Autoridade para as Condições do Trabalho* and the *Universidade do Minho* took part.

Similarly, monitoring of progress on corrective action plans at suppliers and manufacturers' facilities continued. The positive impact of the project was also verified in the Code of Conduct compliance programme.



42 SUPPLIERS TRAINED

74 COMPANIES IMPLEMENT THE PROJECT WITH THE COLLABORATION OF 40 RELATED SUPPLIERS



IMPACT ON 4,737 WORKERS




47% OF FACTORIES INVOLVED HAVE SIGNIFICANTLY REDUCED THEIR RISK



29 FACTORIES ASSESSED IN 2019

02.04.02/ Effective participation of workers in occupational health and safety

Protecting the health and safety of workers requires the involvement and direct contribution of the workers themselves. This is why we encourage our suppliers to set up and train health and safety committees in their factories, along with other consultation and participation mechanisms.

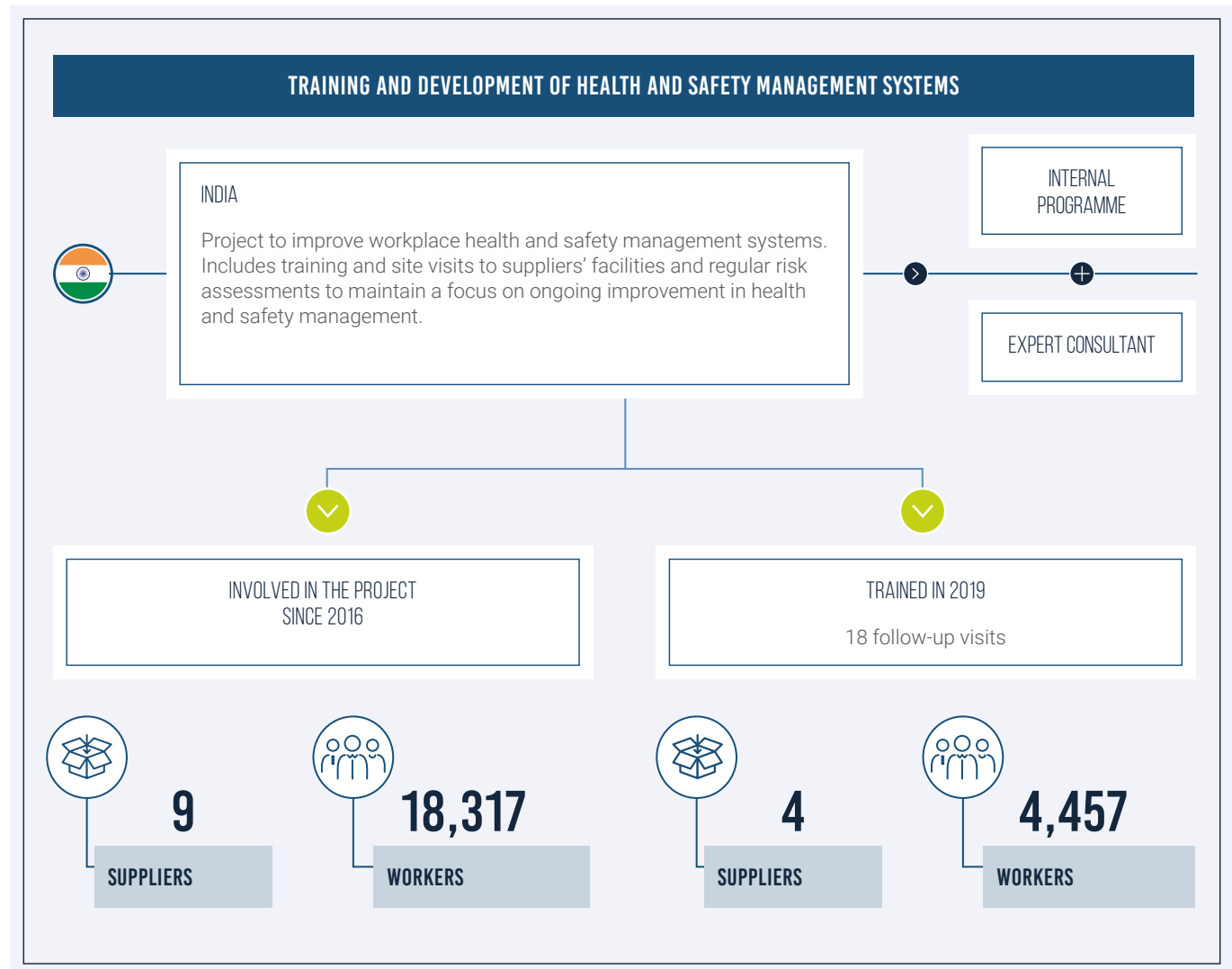
PROJECT	COUNTRY	DESCRIPTION	COLLABORATION	INDICATORS
SUPPORT AND BACKING FOR HEALTH AND SAFETY COMMITTEES	Morocco	One of the lines of work of our project with Medicus Mundi Sur and AMSAT - <i>Association Marocaine de la Santé au Travail</i> - focuses on operational support and backing for health and safety committees, both in defining annual action plans and reviewing documentation.  More information on page 120 of this Annual Report.	Medicus Mundi Sur and AMSAT (<i>Association Marocaine de la Santé au Travail</i>).	Training and backing for health and safety committees in 12 factories (3,402 workers)
SUPPORT AND DIRECT INVOLVEMENT IN ACCORD COMPLAINTS AND REPORTING PROCEDURES	Bangladesh	This legally binding agreement enables workers to ask questions about health and safety risks confidentially via their complaints and reporting procedures.	Accord.	48 communications managed, relating to 37 factories (118,920 workers)
TRAINING FOR HEALTH AND SAFETY COMMITTEE MEMBERS VIA THE NATIONAL SAFETY COUNCIL	India	Industrial safety training promoted by the National Safety Council in India.	<i>National Safety Council</i> .	39 member health and safety managers from 11 suppliers



02.04.03/ Implementing workplace health and safety management systems

The continuous improvement of health and safety conditions goes beyond reducing identified risks.

Management's firm commitment is fundamental to setting up management systems in our suppliers and manufacturers' facilities, which should include assigning clear roles, responsibilities, procedures and indicators. We provide training and support with the implementation process to our suppliers and manufacturers so they can set up these systems.



Management's commitment is fundamental to setting up health and safety management systems in our suppliers' and manufacturers' facilities, which should include assigning clear roles, responsibilities, procedures and indicators.

02.04.04/ Emergencies: preparation and response

Preparation and a coordinated response are fundamental aspects of minimising the negative impacts of serious and imminent risks to workers. This is why guaranteeing our suppliers have robust, up-to-date and integrated plans in place to deal with emergencies forms an essential part of our strategic plan.

At Inditex we have commenced work on a guide to establishing and improving emergency planning. Health and safety experts from our social sustainability teams are working on the development, and it will be shared with suppliers upon completion. NFPA 1600, ISO 45001:2018 and FEMA 141/October 1993 standards have been used for reference in the development of the report. We have also defined procedures internally for communicating and assessing potential emergencies identified in our supply chain.

PROJECT	COUNTRY	DESCRIPTION	COLLABORATION	INDICATORS
TRAINING, ASSESSMENT AND IMPROVEMENT OF RESPONSES TO EMERGENCIES, AND FIRE AND ELECTRICAL RISKS.	Pakistan	Training project commenced in 2019. Also includes risk assessments in facilities to establish corrective action plans.	Internal programme in collaboration with an expert consultant.	9 suppliers trained (63,130 workers) and 5 facilities from 2 suppliers assessed.
ANALYSIS OF CASES PRESENTING POTENTIAL STRUCTURAL RISKS	Turkey, China, Italy, Portugal	Internal mechanisms to communicate potential emergencies and risk assessment.	Internal programme.	50 cases managed in Turkey, China, Italy and Portugal.



KEY CONTRIBUTION



Emergency response and earthquake risk training in Turkey

In 2019 we conducted training sessions in collaboration with the NGO AKUT Search and Rescue Association in industrial zones located in high seismic hazard zones in Turkey, with a focus on emergency response. 28 suppliers and 124 manufacturers (with a total of 31,693 workers) received training with a particular focus on earthquake activity.

Training sessions for suppliers and manufacturers were also complemented by training on the subject in schools and communities. 15,106 pupils from 10 schools received training.

02.05/ Protection of migrants and refugees

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT
PROJECTS AND PROGRAMMES:

15 factories with **4,798 workers**

SUPPLIERS TRAINED:

77 suppliers and manufacturers with **17,316 workers** trained
on migrants rights and cohesion in the workplace.

REMEDIATION PLANS:

70 remediation plans with **59 refugee workers** and **91 migrant workers**.

RELATED SDGS



CORE STAKEHOLDERS

International Labour Organization / MUDEM / Pratham /
United Work / CCR CSR

ENSURING THAT THE RIGHTS OF REFUGEES AND MIGRANTS ARE UPHELD AND THAT A DECENT WORKPLACE IS PROVIDED IN FACTORIES, SUPPORTING COHESION.

Forced migration can lead to a situation of vulnerability of people both at work and in their personal life, which can affect their human rights, precisely as a result of their migrant status.

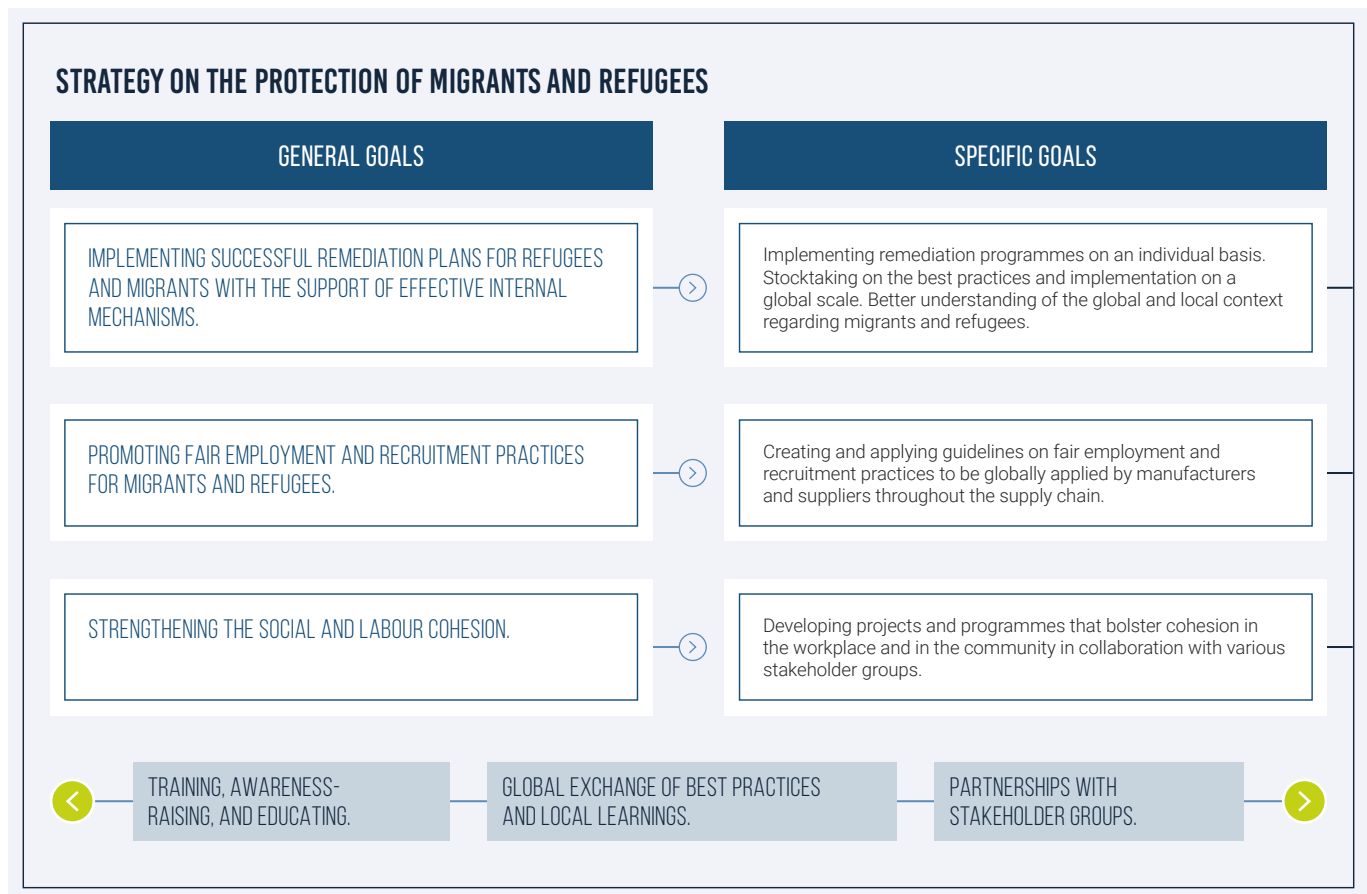
At Inditex we have a zero tolerance policy towards the exploitation and discrimination of any worker in the supply chain, as set forth in our Code of Conduct for Manufacturers and Suppliers. This approach especially applies to migrants and refugees, as a collective that is potentially more vulnerable to such abuse.

In addition to the Compliance Programme with the Code of Conduct, frameworks such as the United Nations Global Compact on Refugees and the United Nations

Guiding Principles on Business and Human Rights, are our benchmark when it comes to planning and implementing initiatives for the protection of migrants and refugees. Inditex has a strategy dedicated to this collective that is structured around three specific goals, making it possible to redress any potential discrimination situation and promote fair labour practices that encourage labour cohesion.


At Inditex we analyse and monitor the conditions of these workers in our supply chain, to ensure there are no violations to their rights. Specifically, in India and China, where internal migration is more commonplace, and in Turkey, a country which – due to the conflict in Syria – has become a major host to migrants and refugees.





Similarly, we acknowledge the importance of cooperation to address the challenges related to the recruitment and employment of refugees and migrants, particularly in countries with weak regulations. For this reason, we partner with key players such as the ILO, UNHCR, Ethical Trading Initiative, employer organisations and other brands, suppliers and NGOs. We are also a member of the *Tent Partnership for Refugees* platform.

In parallel, and from an academic perspective, we support the research into migratory phenomena and the reality of migrants through the Inditex Chair of Refugees and Forced Migrants at the Comillas Pontifical University. The institution, which partners with organisations working in the field with forced migrants and refugees, has launched various research projects to raise awareness around the reality of these people and to improve actions taken with them. For example, the Chair has been a trailblazer in the study on the phenomenon of refugees in Spain. It is also particularly active in raising awareness on this matter, as well as in transferring knowledge and methods for intervention.

 More information about Inditex Chair of Refugees and Migrants in the chapter Working for the Community, from page 234 of this Annual Report.

The strategy on the protection of migrants and refugees is implemented through the following areas of work:

- Implementing remediation plans for refugees and migrants: they are provided with the collaboration of external entities, in addition to the involvement of the Inditex suppliers, manufacturers, and buying teams. This is the case in Turkey, for example, where we have partnered with the NGO *Refugee Support Centre* (MUDEM) through a framework agreement since 2015.
- Promoting fair employment and recruitment practices for migrants and refugees: we undertake various programmes, e.g. in partnership with *United Work* in Turkey, the goal of which is to train refugee and migrant workers and to raise their awareness regarding their rights. It also includes supplier training activities.
- Strengthening the social and labour cohesion in factories where migrants work and in the communities in which they live. Projects are undertaken in countries such as India, China, and Turkey, in partnership with various entities and according to the local specific characteristics, but upholding the common focus on the well-being of workers.

We collaborate with the NGO Refugee Support Centre (MUDEM) in Turkey to establish remediation plans for refugees and migrants.

02.05.01/ Remediation plans for migrants and refugees

If we detect any cases of the violation of migrants and refugees' rights, we put remediation plans into place in collaboration with external bodies and Inditex suppliers, manufacturers and commercial teams. For example in Turkey, we have been collaborating as part of a framework agreement with the Refugee Support Centre (MUDEM) since 2015.

In 2019, 70 remediation plans were conducted in collaboration with 55 suppliers and manufacturers with

MUDEM's support. The plans reached 59 refugee and 91 migrant workers, with our teams and the NGO offering support and guidance on formalising their work status.

Training is a fundamental aspect of implementing remediation plans effectively. Firstly, we provide training to external auditors in countries most at risk of having migrant or refugee workers in vulnerable situations, so that auditors can successfully detect and look into such cases, including recruitment practices. Secondly, and under the remediation plan framework, we also offer training to suppliers to raise awareness on good employment practices and encourage migrant and refugee cohesion and inclusion.

SANKALP - Preventing unsafe migration in India

Objectives

- Equal opportunities for all
- Reducing vulnerability and eradicating potential underage work.

In India, the majority of minors who migrate do so for work reasons. This is why it is essential to shore up the prevention of this type of migration for work reasons in their home communities. This is the aim of the Sankalp programme which we are developing in collaboration with the ONG Pratham.

Migration from rural to urban areas has increased in the country in recent years. With this in mind, the programme has a focus on the states it originates from: Uttar Pradesh and Bihar. We have introduced training measures there, such as setting up help points in bus and train stations. People in potentially vulnerable situations can be identified at these help points, gaining an in-depth understanding of their cases, providing them with remediation where necessary and ensuring they return home.

Meanwhile, training has been given to governmental authorities at these exit points so that prevention systems can be better implemented. Regular visits to homes also take place, enabling a dialogue with parents and communities to promote education.



507 CASES OF PREVENTING UNSAFE MIGRATION

9,500 PEOPLE EDUCATED ON THE PREVENTION OF UNSAFE MIGRATION AND UNDERAGE WORK

4,135 ADULT MIGRANTS EDUCATED ON THEIR RIGHTS

02.05.02/ Fair employment and recruitment practices for migrants and refugees

Ensuring that formally employed migrants can fully exercise their rights and enjoy equal opportunities in a decent working environment is another of our objectives. To do this, we develop action guidelines, train suppliers and manufacturers and implement programmes promoting fair employment practices.

Programme with United Work in Turkey

Work continued in 2019 on our awareness and training programme for migrants and refugees with United Work

in Turkey. The objective behind it is to train and raise awareness on the rights of workers, chiefly from Syria, through sessions focusing on rights, cultural differences, communication skills, workplace health and safety and other matters. The training also extends to employers to ensure they understand and implement fair working practices. In 2019, 106 Syrian migrants from six factories (a total of 1,823 workers) received training.

As well as training sessions, we also held training workshops with United Work in 2019 in cities across Turkey, addressing issues such as refugee rights, relevant labour legislation, and encouraging inclusive working environments. 73 suppliers and manufacturers (a total of 15,347 workers) took part in these sessions.



02.05.03/ Reinforcing social and workplace cohesion

Promoting social and workplace inclusion and cohesion in factories with migrant workers and their communities is another of our lines of work. In this vein, we are working on projects in countries such as India, China and Turkey in collaboration with various bodies. These are tailored to the specifics of each local region but have an overall focus on the wellbeing and social and workplace integration of these workers.

Training migrant parents with The Center for Child Rights and Corporate Social Responsibility

For the most part, migration in China is internal, with movements from rural provinces to the country's most industrialised zones. It is common for parents of migrant families to travel alone, leaving their children in the care of other family members. In 2019 work commenced on a programme with the organisation CCR CSR (The Center for Child Rights and Corporate Social Responsibility) focusing on supporting these workers. Four factories from our supply chain (with 1,969 workers) took part, with the direct involvement of 175 mothers and fathers.

The programme examines tools and mechanisms that can be used to help parents confront challenges in parenting their children from a distance. A particular emphasis was placed on how families can use technology to communicate, for example using smartwatches.

Training scheme with the Refugee Support Centre (MUDEM)

In 2018 we launched a pilot scheme with MUDEM to promote migrant and refugee integration based on learning outcomes from remediation plans. In 2019 the project was implemented at two factories, to the benefit of 505 workers.

Integration programme with the International Labour Organization

This programme, promoted by the ILO in Turkey, seeks to improve cohesion between Syrian refugees and their Turkish colleagues in factories. Turkish volunteers receive training so they can act as mentors to their Syrian refugee colleagues, spending time with them inside the factory and out. This makes it easier for the refugees to integrate, both from a cultural and language perspective, fostering social and workplace cohesion. The programme has been implemented at five factories with a total of 1,579 workers.

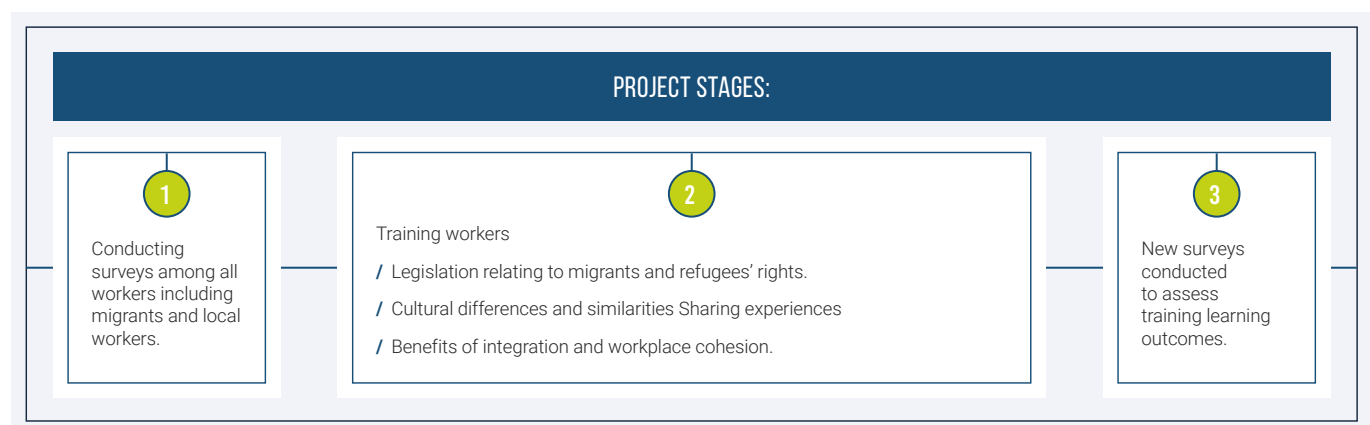
Chair in Forced Migrants and Refugees

The Inditex Chair in Forced Migrants and Refugees at Universidad Pontificia Comillas has worked on various lines of work since 2016. When it started it began a collaboration with organisations working on the ground with forced migrants and refugees.

Simultaneously, it has carried out various quality investigations to raise awareness of refugees and immigrants' situations and improve programmes and interventions with them. Highlights of this work include research into the refugee phenomenon in Spain, with an investigation of the integration process and official reception arrangements in Spain. Work is also under way on a longitudinal transnational survey for migrants and refugees, broadening the field of study and the first of its kind to examine this matter.

The Chair is also very active in raising awareness of the phenomenon, as well as transferring knowledge and methods of intervention in this field through various means.

 More information on the Inditex Chair in Forced Migrants and Refugees in the chapter entitled Working for the Community, from page 234 of this Annual Report.



02.06/ Social Protection

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT
PROJECTS AND PROGRAMMES:

10 factories with 11,536 workers

PROGRAMMES WITH COMMUNITY INVOLVEMENT:

Programmes in India and Turkey.

RELATED SDGS



CORE STAKEHOLDERS

Swasti / Pratham / Aung Myin Hmu / Çağdaş Türkiye'nin Gelecek
Güvencesi / Istanbul Bilgi University

ENABLING THE WELL-BEING OF WORKERS IN THE SUPPLY CHAIN.

Social protection is defined as the set of policies and programmes designed to curb and prevent vulnerability. Social protection extends not only to the workers, but also to their family, and covers concepts such as protection of maternity, unemployment, education of minors, care for disabled and elderly people, and health protection, in addition to others. According to the ILO, only 27% of the world's population has adequate social protection. And more than half does not have access to any coverage.

Social protection has been identified as one of the core areas for achieving the global goals of our *Workers at the Centre 2019-2022 Strategy*, while contributing to achieving the SDGs 1, 3, 8 and 17. Along these lines, social protection is a concept that, despite not being one of the 17 SDGs of the United Nations 2030 Agenda, is a necessary and cross-cutting component in order to achieve other goals. Therefore, working to improve social protection in our supply chain is aligned both with our principles and values as a Company and with our commitments to stakeholder groups.

The industry dimension plays a key role in this priority area. Offering adequate social protection to workers involves governments and public bodies, as well as local and international civil society organisations, which makes cooperation between all stakeholder groups fundamental. To do so, when implementing our programmes we partner with local NGOs that have in-depth knowledge and experience on the reality and challenges in the area in which they operate.

Upon creating this new framework, we aim to identify the priorities within the broad concept of social protection through which we can have a positive short-term impact, while being mindful of the long-term goals. To structure our work, we have defined four specific goals to address noteworthy issues in the global context and particularly vulnerable groups.

Through due diligence in human rights, we have identified social protection as one of the Priority Impact Areas of our Workers at the Centre 2019-2022 Strategy.



STRATEGY ON SOCIAL PROTECTION IN THE SUPPLY CHAIN

FACILITATING ACCESS TO PROPER NUTRITION AND DRINKING WATER

ENSURING ALL WORKERS HAVE ACCESS TO SOCIAL PROTECTION AND SOCIAL BENEFITS

PARTNERING WITH LOCAL COMMUNITIES TO ALLEVIATE POVERTY AND PREVENT UNDERAGE WORK

PROMOTING THE PERSONAL HEALTH AND WELL-BEING OF WORKERS



AWARENESS-RAISING AND TRAINING



PARTNERSHIPS WITH STAKEHOLDERS



WORK WITH COMMUNITIES



CONSTANT FOCUS ON THE WORKER'S WELL-BEING

The strategy is implemented through the following areas of work:

- Facilitating access to proper nutrition and drinking water: we seek to guarantee these universal rights for all the workers in our supply chain. Training not only suppliers, but also the workers themselves, is crucial to achieving these rights.
- Ensuring all workers have access to social protection and social benefits.

- Partnering with local communities to alleviate poverty and prevent underage work: At Inditex we have a Remediation Plan in the event of identifying cases where minors are forced to forsake their education to contribute to the family economy. We also develop specific programmes to tackle possible causes at their root.
- Promoting the personal health and well-being of workers: In 2019, we launched a pilot project in India, in collaboration with the organisation Swasti, focused on the well-being of 7,082 workers from five of our suppliers in the country.



02.06.01/ Facilitating access to adequate nutrition and drinking water

Access to adequate nutrition and drinking water is one of the universal rights we want to guarantee for workers in our supply chain. Our Code of Conduct requires suppliers to provide drinking water to all workers and provide food storage facilities where required. In many countries it is

common for workers to eat in factories: whether the food is prepared in canteens at the factories or by the workers themselves. However, the quality of food and water can be affected by climate and environmental conditions, and to protect workers' health it is vital to prevent this from happening. Training suppliers — and also the workers themselves — is key to ensuring attention is paid to adequate nutrition and food storage.

KEY CONTRIBUTION



Improving food storage facilities and the supply of drinking water

Work commenced on a pilot project in Myanmar in 2019, with the support of local organisation Aung Myin Hmu, to improve food storage facilities and the supply of drinking water in five factories from our supply chain, reaching a total of 4,454 workers.

The project includes creating properly temperature-controlled and ventilated hygienic storage rooms suitable for storing food in optimum conditions. By the end of 2019 these had been successfully installed in five of the participating factories. This was complemented by showing training videos on healthy and hygienic habits during meal breaks.

Training was also provided at all factories.

THE MAIN TOPICS COVERED WERE:

1

Drinking water and adequate hydration

2

Nutrition and healthy eating

3

Health and hygiene

02.06.02/ Acces to social protection and social benefits

Social security systems vary from country to country, and all have their own characteristics. Our compliance programme encompasses the assessment and improvement of social security management systems conducted in our suppliers' factories. For this reason, we have carried out social security risk assessments at our clusters, so we can understand the systems and challenges workers face in gaining full access to their benefits and rights, and to develop action plans tailored to each situation.

Our goal is for all workers to have access to social security and other social benefits, regardless of the characteristics of the systems in place at a local level. Ultimately, if the systems are insufficient in guaranteeing the well-being of workers, we collaborate with the relevant institutions and organisations to develop or add to existing systems where necessary.

02.06.03/ Alleviating poverty and preventing underage work

Eradicating poverty is the first of the 17 Sustainable Development Goals and almost all of the remaining SDGs rest on achieving it. Poverty is the root cause of many of the challenges society faces, and eradicating it is the first step towards achieving full social protection and well-being in communities.

Code of Conduct Remediation Plan

One of the potential consequences of poverty is the use of workers under the legal working age, as a lack of income may lead to minors being forced to abandon their education in order to contribute to the household economy. At Inditex, we have a Remediation Plan in place to implement when we identify any such instances. The core concept is to protect and guarantee people's rights, in particular their right to education.

In this sense, as soon as the plan is put into practice, the supplier is responsible for ensuring they receive an education until they reach legal working age, or the age stipulated by our Code of Conduct if this is higher.

During this time the supplier must either hire another family member or pay a sum equivalent to the wage the person was receiving, thereby ensuring the family is not left without a source of income. Another fundamental aspect of the plan is the development of preventive measures on the part of the supplier, to avoid the situation repeating itself. These plans are conducted in cooperation with local organisations, such as Pratham in India or CYDD (Association for the Support of Contemporary Living) in Turkey.

As well as putting individual corrective plans in place, we also develop programmes in the community to avoid these situations from occurring and to tackle the potential root causes before they arise.

Sankalp - Underage work prevention

We started the Sankalp Programme in collaboration with Pratham, an NGO in India, in 2015. The main goal is to work with communities to raise awareness of the benefits of education and the harm underage work brings with it. In addition, training centres have been set up to complement schools, where children can go after classes to continue their learning.

In 2019 we continued with the implementation of Sankalp in five towns in India, where the communities play a fundamental role in ensuring the project is ongoing and sustainable. Vigilance Groups have been set up, trained by the communities themselves, which ensure the continuation of schooling until the age of 16 at a minimum. Training parents and adults in the community on the importance of education is fundamental to the success of the project.

Promoting education in Turkey

We are collaborating with İstanbul Bilgi University in Turkey to promote education and reduce the number of pupils who abandon their studies in vulnerable communities. The project includes collaborating with the community and local authorities to establish effective mechanisms to prevent the abandonment of studies.

Highlights of 2019 activities include summer schools with 17 children aged 9 - 14 with fun and educational workshops and activities to educate them on their rights and motivate them to continue their education.

02.06.04/ Health and personal well-being

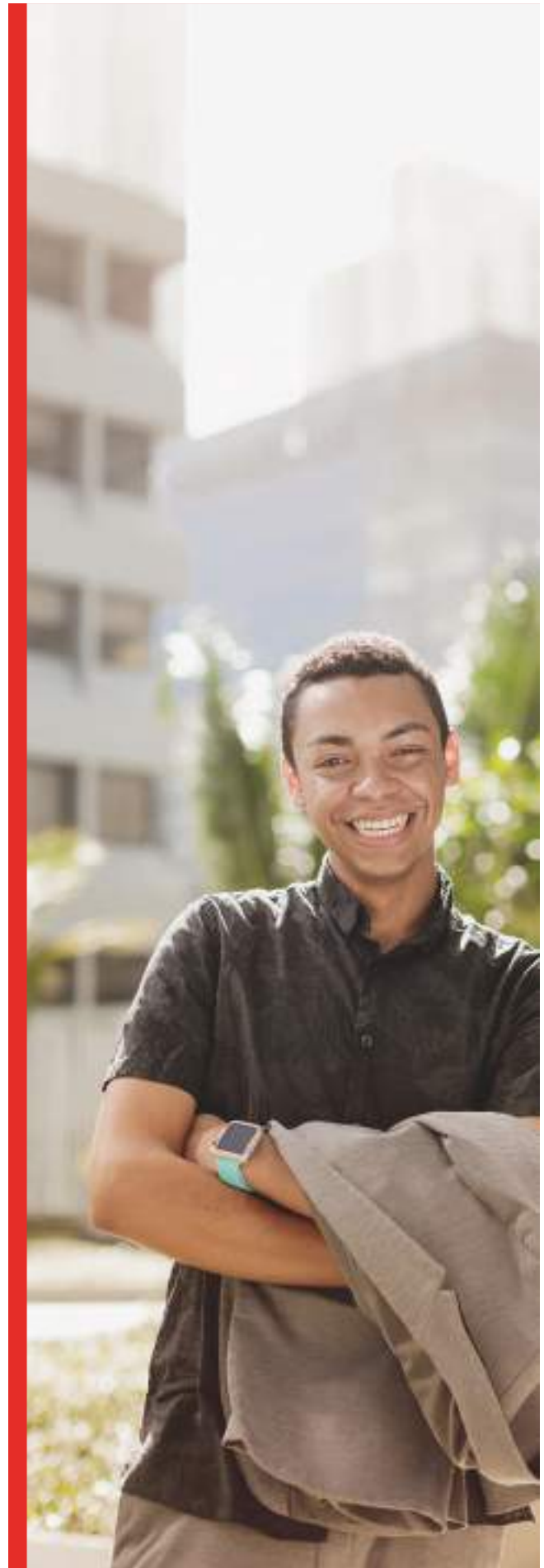
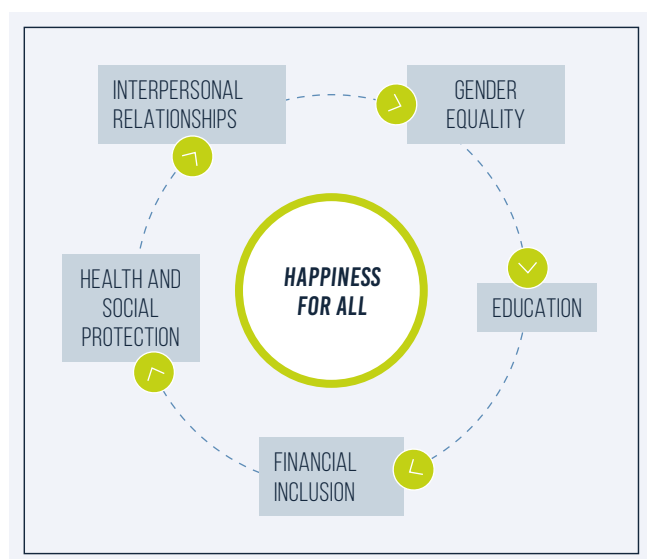
Well-being and happiness among workers have numerous benefits. Happy people with a high level of psychological and social well-being benefit from improved physical and mental health, develop healthy personal and professional relationships, and tend to help their peers more, both in their own communities and the workplace.

As such, health and wellbeing are directly connected. In this vein, the well-being programmes under the social protection strategy framework are a positive complement to the activities under the workplace health and safety umbrella.

Happiness for All project

We started a pilot scheme in India in 2019, together with the Swasti organisation, focusing on the well-being of 7,082 workers from five of our suppliers in the country. The project aims to improve the well-being of workers, with a long-term approach encompassing family members and communities.

Participating suppliers receive expert support, technical guidance, and training to set up integrated centres that offer workers solutions relating to social benefits available in India and the promotion of well-being. The objective extends the concept of well-being from the factory to the community. In 2019, guidance committees were set up with designated happiness experts to ensure the internal roll-out of the project with each supplier.



02.07/ Protection of labour rights in the production of raw materials

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT
PROJECTS AND PROGRAMMES:

4 factories with **4,113 workers**

PROGRAMMES WITH COMMUNITY INVOLVEMENT:

Programmes in **China, India, Pakistan** and **Mali**.

RELATED SDGS



CORE STAKEHOLDERS

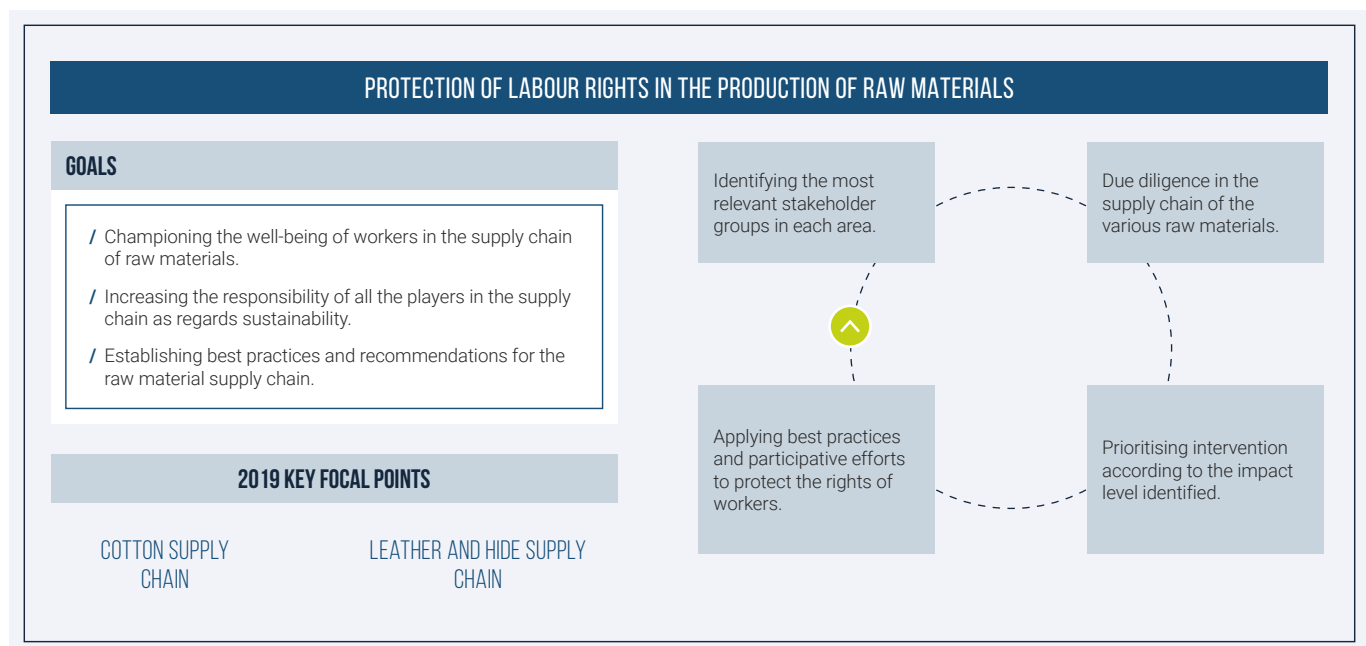
International Labour Organization / Tata Institute of Social Sciences

IMPROVING THE HUMAN AND LABOUR RIGHTS OF THE WORKERS IN THE SUPPLY CHAIN OF RAW MATERIALS THROUGH PROACTIVE ACTIONS IN TERMS OF THE WORKPLACE, THE COMMUNITY, AND INDUSTRY.

Due to the complex structure of the production of raw materials, the reality of those working with these products is different to that of the workers at the factories of the finished product.

However, and as workers in our supply chain, Inditex's commitment to them is the same. We want to promote respect for their human and labour rights, as laid down in SDG 8.

Our strategy for the protection of labour rights in the production of raw materials was consolidated in 2019. There is an holistic approach to protecting the rights of these workers that seeks to join forces with various players, including local and international organisations, and the communities themselves. For example, to strengthen the progress of the stability of the cotton supply chain, we partner with other sector agents such as the *Better Cotton Initiative* (BCI), *Textile Exchange*, and *Organic Cotton*



Accelerator, in addition to – of course – collaborating with the International Labour Organisation.

The strategy is implemented through the following areas of work:

- Promoting the well-being of workers in the supply chain of raw materials: Our main initiative to strengthen the well-being of workers involved in the production of raw materials is the public-private partnership (PPP) we hold with the International Labour Organization.
- Raising the responsibility of all the players in the supply chain of raw materials as regards sustainability, for our raw materials to comply with all the standards.

In 2019, we signed an agreement with the *Tata Institute of Social Sciences (TISS)* in India, to undertake a project

to analyse and improve the conditions of the country's leather production chain. Within the framework of the project, due diligence will be conducted on human rights with regard to the supply chain of this material, in order to identify priority fields of action and to carry out the action plans necessary to address the core challenges identified. The results of the due diligence will be included in mechanisms to promote the respect for human rights.

We have partnered with four suppliers (with 4,113 workers) to undertake this project. The goal is to replicate it in other countries that are also suppliers of leather as a raw material.

- Creating best practices and recommendations for the raw material supply chain: Partnering with various internal and external stakeholder groups is a fundamental part

FEATURED CONTRIBUTION



CORE ACTIONS:



MAPPING AND IDENTIFYING THE COTTON PRODUCTION CHAIN



RAISING AWARENESS ON LABOUR RIGHTS



DEVELOPING THE SKILLS OF WORKERS



DIALOGUE WITH CIVIL SOCIETY AUTHORITIES AND ORGANISATIONS

Public private partnership with the International Labour Organization (ILO) for the cotton supply chain

In 2017, Inditex signed with the ILO a Public Private Partnership (PPP) to strengthen the fundamental principles and labour rights in cotton production and contribute to the sustainability of this raw material supply chain.

During the three years that we have been implementing this PPP, Inditex has collaborated with ILO to promote fundamental rights in cotton-producing communities in India, Pakistan, China and Mali. To achieve it, a cooperative approach with different stakeholders nationally and in the communities themselves is key.

To implement this Agreement, local representatives of ILO were appointed in 2018 as project coordinators, responsible for initiating the activities that fall within the scope of the project with the support of Inditex's local Sustainability teams.

Likewise, in 2019 a round of consultations took place to involve a larger number of stakeholders to implement the agreement. Additionally, training was imparted to the communities involved in cotton production and harvesting in Pakistan. During such training sessions, awareness was raised among cotton workers and their families regarding their fundamental labour rights, specific health and safety issues, social dialogue and information about applicable laws and regulations.

Within the framework of this Agreement, in which China is a collaborating party, projects are also being developed in the provinces of Hebei, Shandong, Hubei and Anhui.

/ Increasing knowledge on the fundamental principles and rights at work in the cotton supply chain.

/ Promoting respect for the fundamental principles and rights at work in cotton-producing communities.

/ Contributing to meaningful social dialogue and collaboration, at industry level, relating to fundamental principles and rights at work.

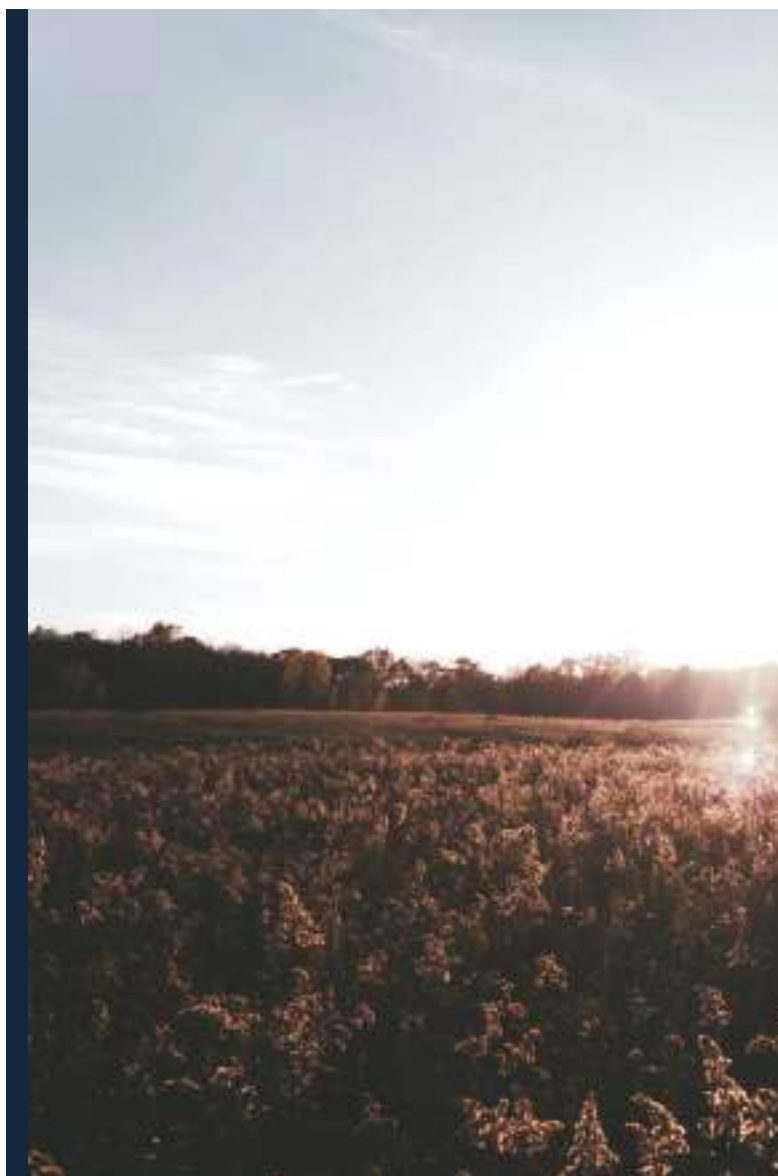
STRATEGIC FRAMEWORK OF THE AGREEMENT

We partner with bodies such as the International Labour Organization on the sustainability of the cotton supply chain.

of this goal, since we seek to implement best practices that are not only exclusive to Inditex, but which serve as a benchmark for the entire industry.

The strategy for the protection of labour rights of workers in the supply chain of raw materials is backed

by the environmental sustainability strategy, in that they complement each other in order to achieve the production and consumption of sustainable and responsible raw materials. As a result of the confluence of both strategies, we contribute to SDG 12 (Responsible consumption and production).



A number of reports were released in 2019, denouncing potential non-compliance practices in social and labour matters in some regions of central Asia, where Inditex does not have commercial relations with any factory.

Additionally, Inditex conducts thorough due diligence across our supply chain in the region through our internal teams and expert external partners to ensure the absence of forced labour and compliance with our Code of Conduct and international labour standards, including:

- Actions at Community level within the Public Private Partnership with the International Labour Organization to enhance human and labour rights covering the fundamental rights and principles at work, including the prevention of forced labour.
- Actions at Industry level, as established in the UN Guiding Principles on Business and Human Rights and in collaboration with the relevant stakeholders to promote the human and labour rights of workers within the global textile supply chain.

Furthermore, Inditex is a signatory to the *Uzbek Cotton Pledge* for the eradication of forced labour in the production of cotton in Uzbekistan.
<https://www.sourcingnetwork.org/uzbek-cotton-pledge>



03/ Compliance

The *Workers at the Centre 2019-2022* Strategy is supplemented by cross-cutting actions to verify and guarantee compliance with the Code of Conduct and international standards, as well as to work with our suppliers and stakeholder groups on the continuous improvement of our supply chain.

03.01/ Assessing compliance

All the facilities required to produce our items must comply with the Code of Conduct for Manufacturers and Suppliers. To verify that it is applied correctly and to detect potential deviations in the social field, we carry out a *pre-assessment* on companies before they enter the supply chain, and regular social audits on companies once the business relationship has begun.



More information about pre-assessment audits on page 93 of this Annual Report.

The methodology of the Social Audits implemented in Inditex was initially designed in 2007 in partnership with the former International Textile, Garment and Leather Worker's Federation (currently integrated in IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics of Cambridge University. This methodology has been updated several times and includes, among other protocols:

- Interviews with the workers and their representatives.
- Review of documentation related to the working conditions of workers.

- Visits to the facilities of the audited company.
- Interviews with management.

The main aim of the audits is to verify the degree of compliance with Inditex's Code of Conduct and set up Corrective Action Plans, where necessary, to ensure that human and labour rights are upheld and to correct any detected non-compliance.

Social audits can be conducted by internal and external auditors, but always without notifying the company to be audited in advance. To ensure the quality of the audits and that our methodologies are correctly applied, we make major efforts in training external auditors. Last year we worked with 793 external auditors¹, of which 756 were trained in 2019.

In 2019, 6,411 social audits² were carried out, compared to 5,359 in 2018. This rise is chiefly due to progress in the traceability of materials and the inclusion of non-textile items within the scope of the audits.

SOCIAL AUDITS IN 2019

GEOGRAPHIC AREA	NUMBER
Africa	406
Americas	19
Asia	3,020
Europe outside the EU	1,660
European Union	1,306
TOTAL	6,411

(1) Includes auditors that have conducted social, *pre-assessment*, traceability, and special audits in 2019.

(2) A company may receive more than one social audit during a fiscal year. Each audit carried out is considered when accounting for audits.

As a result of the social audits, suppliers and manufacturers are classified according to their degree of compliance with the Code of Conduct. In 2019, the suppliers in operation are classified as follows:

CLASSIFICATION *	2019**		2018	
	NUMBER OF SUPPLIERS	PERCENTAGE (%)	NUMBER OF SUPPLIERS	PERCENTAGE (%)
A	784	40%	661	35%
B	1,051	53%	1,045	56%
C	44	2%	80	4%
CAP	38	2%	47	3%
PR	68	3%	33	2%
TOTAL	1,985	100%	1,866	100%

* **Supplier A:** Complies with the Code of Conduct.

Supplier B: Does not comply with some non-relevant aspect of the Code of Conduct.

Supplier C: Does not comply with some sensitive, but not conclusive, aspect of the Code of Conduct.

Supplier in Corrective Action Plan (CAP): Breaches of the Code of Conduct triggering the immediate implementation of a Corrective Action Plan.

Supplier PR: Audit in progress.

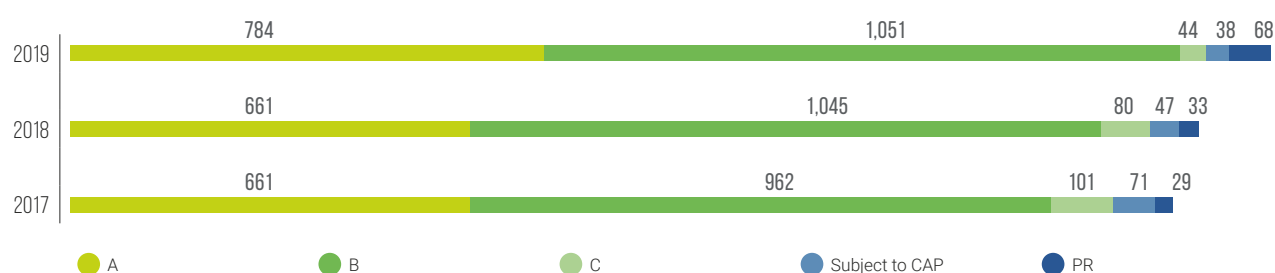
** In 2019 we have extended the scope of the information reported on suppliers including, in addition to the previous years, non-textile items. It includes suppliers with more than 20,000 purchasing units in the 2019 spring/summer and autumn/winter campaign. Suppliers producing less than 20,000 units account for 0.27% of overall production.

It is worth noting that, in 2019, 97% of the textile and non-textile items (extended scope) were purchased at A or B-ranked suppliers, which represent the highest degrees of compliance in terms of social sustainability.

 More information about Inditex's responsible purchasing practices on page 94 of this Annual Report.

Supplier ranking has improved year upon year, as a result of our efforts to ensure that our workers' conditions are adapted to the Code of Conduct, and due to the joint work with suppliers and our stakeholder groups on the continuous improvement of our supply chain.

CHANGES IN THE RANKING OF SUPPLIERS IN THE LAST THREE YEARS



It is worth stating that the social ranking of the supplier also determines the possibility of producing *Join Life* products. This demonstrates how sustainability criteria are fundamentally relevant in purchasing practices.

 More information about *Join Life* on pages 83 of this Annual Report.

Social audits are also a highly important information source for the impact approach, since they make it possible to identify the core challenges in each country regarding the Code of Conduct. In doing so, our teams can assess and identify which actions to take to overcome them.

PERCENTAGE OF COMPLIANCE WITH THE CODE OF CONDUCT IN THE ACTIVE FACTORIES ⁽¹⁾ OF SUPPLIERS WITH PURCHASES IN 2019

	AFRICA	AMERICAS	ASIA	EUROPE OUTSIDE THE EU	EUROPEAN UNION
No forced labour					
No work by youths or child labour ⁽²⁾					
No discrimination					
Respect for FOA ⁽³⁾ and collective bargaining					
No harsh or inhumane treatment					
Hygiene at work					
Wage compliance					
Working hours					
Environmental awareness					
Regular work					
Implementation of the Code ⁽⁴⁾					

● > 90 ● > 70 ● > 50 ● < 50

(1) Factories blocked in 2019 not included.

(2) Includes the lack of suitable systems for verifying the age of workers.

(3) Freedom of association.

(4) Includes the lack of suitable systems for registering and communicating with workers.

In addition to social audits, we conduct special audits, which focus on a specific area for improvement. Some of the objectives of these audits include assessing workers' conditions from a health and safety perspective, and conducting structural technical assessments. Like social audits, they can be carried out by external or internal auditors.

SPECIAL AUDITS IN 2019

GEOGRAPHIC AREA	NUMBER
Africa	57
Americas	112
Asia	1,117
Europe outside the EU	236
European Union	97
TOTAL	1,619

03.02/ Continuous improvement

Working with suppliers and manufacturers is crucial to achieve the ongoing improvement of employees' working conditions. In addition to the action taken in the Priority Impact Areas in this regard, Corrective Action Plans are another tool used to optimise the supply chain from a social perspective.

Each social audit triggers, if so, the instant application of a Corrective Action Plan (CAP) that includes measures that the supplier must apply to improve its degree of compliance with the Code of Conduct, as well as the terms for its implementation.

FEATURED CONTRIBUTION

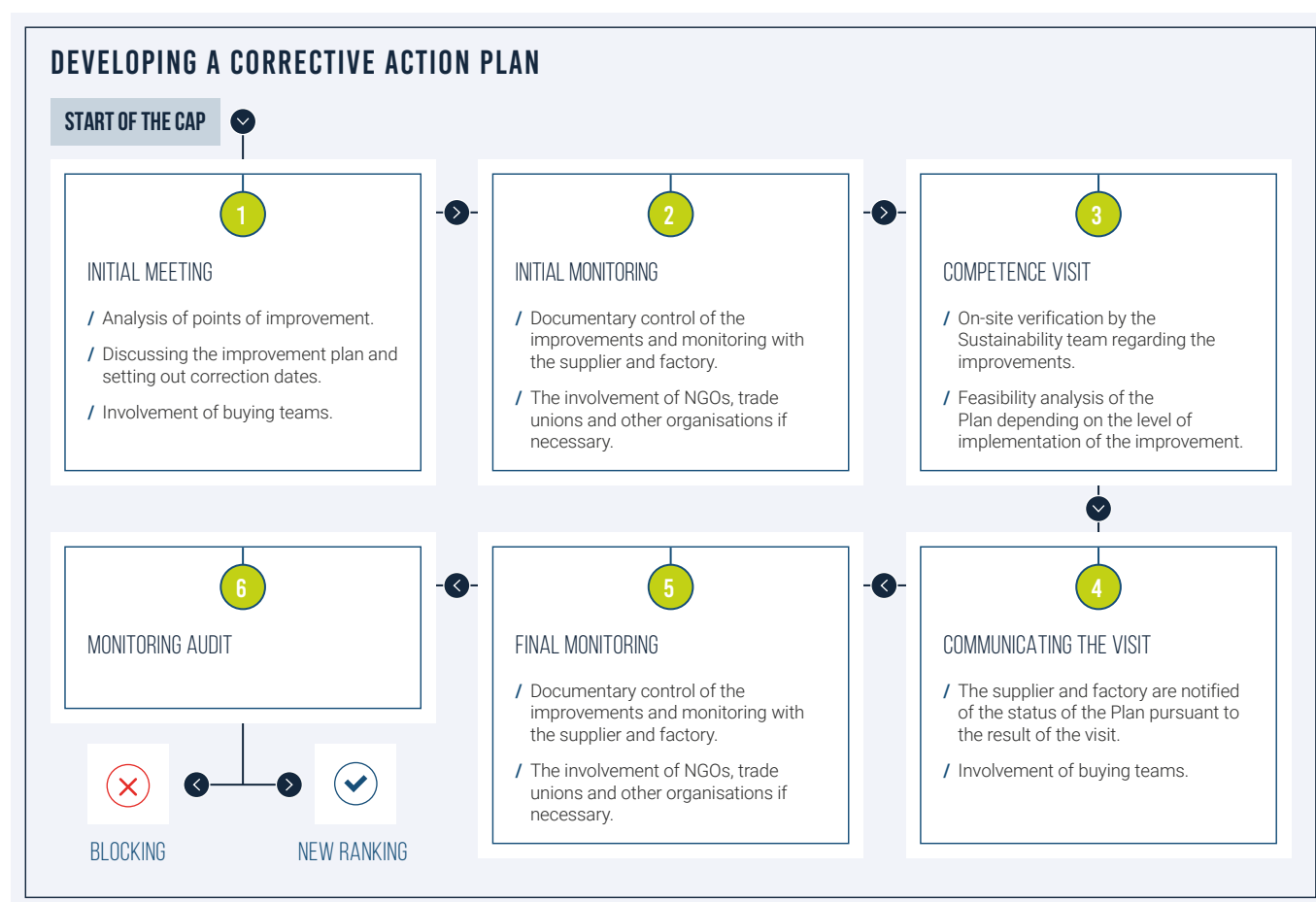


SOCIAL & LABOR CONVERGENCE

Social & Labor Convergence

Although the audit-focused compliance approach has played an important role improving social and labour conditions over the past two decades, it has also led to a proliferation of audits and consumed many of the resources devoted to the sustainability management. Despite being a valuable tool, there are also limits to the audits' usefulness.

Inditex supports and is part of the Social & Labor Convergence initiative, the aim of which is to create an efficient, scalable and sustainable solution for social audits and avoid duplicative efforts. Together we are working to implement the first converged industry-wide framework for assessing social and labour conditions so that the resulting data can be shared and analysed. The time and resources saved as a result can be redeployed to promote lasting improvements.



Inditex's Social Sustainability teams and its buying teams, provide the supplier with ongoing support throughout the Plan. On the one hand, they advise it on the best way to implement the corrective measures and, on the other hand, they monitor it to be able to influence the supplier and take action before the stipulated time has elapsed, if it is detected that the plan is not progressing. The competence review that is carried out at the mid-point of the CAP, for the on-site verification of its degree of progress, is particularly relevant to this monitoring.

In addition to our teams, NGOs, trade unions and other civil society organisations can take part in drawing up these plans, which are a good example of Inditex's philosophy of always supporting suppliers. However, we have a zero tolerance stance towards those which do not make good use of improvement opportunities.

Thus, in 2019, 25 suppliers were rejected for reasons related to breaches of the Code of Conduct. This prevents them from continuing to receive orders from any brands in the Inditex Group.

SUPPLIERS REJECTED IN 2019

GEOGRAPHIC AREA	SUPPLIERS WITH PURCHASES ⁽¹⁾	REJECTED DUE TO A BREACH OF THE CODE OF CONDUCT	REJECTED FOR COMMERCIAL REASONS	SUPPLIERS IN OPERATION AT 31/01/2020
Africa	161	7	1	153
Americas	17	0	5	12
Asia	1,107	4	19	1,084
Europe outside the EU	215	10	1	204
European Union	485	4	5	476
TOTAL	1,985	25	31	1,929

(1) Suppliers of fashion items with production over 20,000 units/year. Suppliers with lower productions account for 0.27% of total production.

Ongoing improvement, advice, and support are key to our relationship with suppliers.

Blocking a supplier or factory is the last resort. Therefore, support from Inditex is not solely limited to implementing CAPs when non-compliances have been demonstrated, but it also includes different actions to prevent them from occurring, proactively seeking the ongoing improvement of the supply chain. Our goal is to enter into an ongoing partnership throughout our relationship with suppliers, and cooperate with them to improve their supply chains and to champion the human and labour rights of their workers.

Our clusters play a key role in strengthening relations with suppliers, since they comprise local professionals with

different skills with who are experts in sustainability, who make up multidisciplinary teams in order to understand and address local realities in the supply chain and support suppliers when addressing global challenges.

Collaboration with suppliers is mirrored in the continuous improvement both of factories and their facilities. This can be seen in the fact that the percentage of A or B-ranked suppliers (the highest degrees of compliance within Inditex's own methodology) is higher in those that have formed part of our supply chain for longer and, therefore, those with whom we have spent more years undertaking improvement programmes and initiatives.

SUPPLIER TRAINING IN 2019



1,018 SUPPLIERS TRAINED IN GROUP SESSIONS



565 INDIVIDUAL AWARENESS-RAISING MEETINGS WITH 461 SUPPLIERS

FEATURED CONTRIBUTION



CORE SUBJECTS

CODE OF CONDUCT FOR MANUFACTURERS AND SUPPLIERS

INDITEX REQUIREMENTS AND PROCEDURES

SUBJECTS RELATED TO THE PRIORITY IMPACT AREAS AND THEIR VARIOUS INITIATIVES

- / Worker Participation
- / Living Wages
- / Women empowerment
- / Occupational Health and Safety
- / Protection of Migrants
- / Social Protection
- / Protection of labour rights in the production of raw materials

TYPES OF TRAINING

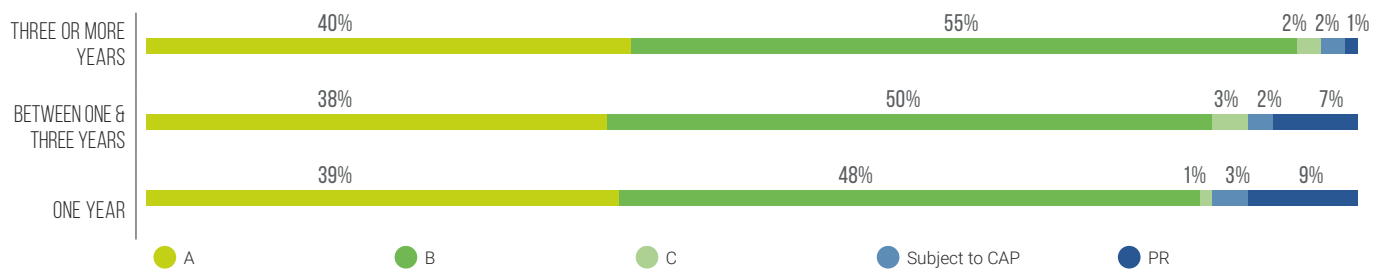
1

Internal: given by the Inditex teams

2

External: given in collaboration with organisations such as:




RANKING OF SUPPLIERS⁽¹⁾ ACCORDING TO THEIR BUSINESS RELATIONSHIP WITH INDITEX (%)

(1) Suppliers of fashion items with production over 20,000 units/year. Suppliers with lower productions account for 0.27% of total production.

We provide advice to suppliers and keep in constant communication with them, to enable them to share our improvement goals and to raise awareness on the fact that upholding and championing the rights and well-being of workers ensures the sustainability of their own supply chains.

Similarly, carrying out a responsible exit strategy of suppliers in the supply chain is one of the commitments in the field of purchasing practices that we have agreed

with members of the ACT initiative. This means that, in the event that – for duly-grounded reasons – we decide to cease operations with a supplier, the relationship will be terminated in a committed manner. In doing so, we carry out a prior accompaniment and monitoring task, in order to attempt to curb the impact this may involve.

 More information about the responsible purchasing commitments and the ACT initiative on page 94 of this Annual Report.

