

INDITEX

**Inditex Group Modern Slavery,
Human Trafficking and
Transparency in Supply Chain
Statement 2018**

Inditex Group Modern Slavery, Human Trafficking and Transparency in Supply Chain Statement FY2018

Inditex Group has always been fully committed to respecting, promoting and protecting human rights within its entire supply chain, this being one of the main pillars of its business model. Inditex Group does not tolerate modern slavery or human trafficking in its organisation or in its supply chain, and undertakes to proactively promote human rights and the respect thereof.

This Statement, made pursuant to Section 54 of the UK Modern Slavery Act 2015, Section 14 of the Australia Modern Slavery Act 2018 (Cth), and the California Transparency in Supply Chains Act 2010 (SB-657), addresses the measures that Inditex Group relies on to prevent and mitigate the risk of modern slavery and human trafficking, and the framework of activities it undertakes aimed at respecting human rights.

Inditex's Board of Directors is ultimately responsible for ensuring respect and protection of human rights, as an essential instrument for the sustainable development of Inditex Group. In implementing the Inditex Human Rights strategy, the Board is supported by the Audit and Control Committee, which assists it in the discharge of its supervision and control duties.

Inditex also relies on a Social Advisory Board, which advises Inditex Group on sustainability issues, and is composed of external or independent members, whether private individuals or companies. The Social Advisory Board plays a key role in the relationship between the Company and its stakeholders, as the Board is charged with formalising the dialogue with the main representatives of the societies where business is conducted.

Likewise, in order to ensure compliance with the Inditex Group Code of Conduct and Responsible Practices and with the Inditex Group Code of Conduct for Manufacturers and Suppliers, Inditex relies on the Committee of Ethics, which reports to the Board of Directors through the Audit and Control Committee. The Committee of Ethics ensures compliance with the above-mentioned Codes, as well as managing the grievance mechanism (Whistle Blowing Channel). The Committee has the authority to conduct investigations, as necessary, to look into any potential human rights issues that are brought to the attention of Inditex Group.

For their part, sustainability teams are charged with managing and coordinating all the activities of Inditex Group aimed at ensuring compliance with the Code of Conduct for Manufacturers and Suppliers throughout the entire supply chain.

This Statement constitutes the "Inditex Group Modern Slavery, Human Trafficking and Transparency in Supply Chain Statement" for financial year 2018, ended on 31st January 2019, and refers to Industria de Diseño Textil, S.A. (Inditex, S.A.) and its subsidiaries ("Inditex" or "Inditex Group"). This Statement has been approved by Inditex's Board of Directors on 11th June 2019, following a favourable report of the Audit and Control Committee and of the Social Advisory Board.

ABOUT US

Inditex is a global fashion retailer present in 5 continents, in the North and South hemispheres.

Our main business consists of offering the latest fashion trends (apparel, footwear, accessories and home textiles), at attractive prices, at the right time and with high standards of quality and sustainability.

Inditex's creative fashion offer is mainly customer oriented, and is based on an integrated business model of physical and online stores.

Inditex conducts business through eight brands: Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each of them operates based upon store and online model, directly managed, except in certain markets where, for different reasons, business is conducted through franchises.

In order to be able to offer the latest fashion trends at the right moment and with the required quality, Inditex has implemented a flexible and integrated business model, customer oriented and with a strong sustainable approach.

A swift life cycle of the products, from design to sale, would not be possible without the integration and flexibility, which are present in all the stages of the value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

Designers and buyers' teams are customer oriented. Inditex listens to its customers and conveys their demands gathered at the stores and online (first directly, then through automated IT systems to end with digital information) to its buyers' teams, and uses them to react quickly, producing the desired items in very short time cycles, and putting them onto the market as fast as possible.

Manufacturing and procurement have been designed pursuant to a mixed model that ensures reasonable flexibility and allows adapting production to market demand. In 2018, 57% of the factories in which Inditex has manufactured goods are in proximity to its headquarters (in countries such as Spain, Portugal, Morocco and Turkey). In this way, Inditex maintains the ability to adapt its production or that of its suppliers to the changes in trend during each campaign.

The logistics and distribution system allows continued shipments to physical stores and online warehouses from the logistics centre of each brand throughout each campaign. Such a system operates mainly with centralised logistics centres for each brand, where inventory is located and from which goods are distributed to physical stores and online warehouses worldwide.

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

We share fundamental values such as teamwork, humility, diversity and commitment and we believe that every person is key to the success of the company.

The people who make up Inditex Group contribute to the sustained and sustainable development of this model, a diverse human team, made up of 97 different nationalities, defined by its creative talent, passion for fashion, for teamwork, entrepreneurial spirit, permanent innovation and responsible effort. We are committed to the professional and personal growth of our employees in work environments where integrity and ethics rule.

Our purpose is to offer fashion goods which conform to the most exacting sustainability and health and safety standards and to operate in a way that is based upon respect and promotion of human rights, transparency and a permanent dialogue with our stakeholders.

More information about Inditex Group on <https://www.inditex.com/en/about-us/who-we-are>

INDITEX SUPPLY CHAIN

All the suppliers and factories involved in producing goods that Inditex sells, are expressly bound to abide by the values and responsible practices that are central to the Group, and which are conveyed through the Inditex Sustainability Department and also by the different buyers' teams.

In this regard, Inditex's commitment and responsibility towards the responsible management of its supply chain requires the identification of working areas to contribute to the improvement of working conditions in the sector in each of the markets where the Group operates, and creating sustainable production environments. Inditex meets such challenges by setting and implementing policies aligned with the fundamental labour standards, and by establishing monitoring mechanisms and tools which allow direct cooperation with its suppliers, as well as through a multilateral dialogue with organisations and institutions in these fields.

In 2018, Inditex's supply chain was made up of 1,866 suppliers¹ in 43 markets, working in 7,235² factories.

With a global supply chain, Inditex identifies its suppliers and manufacturers by means of different tools, including, among others, traceability audits, whose main goal consists of verifying the traceability of the supply chain. This verification is based upon the review of information gathered through a management system that compels suppliers to report on the factories that manufacture for Inditex.

The traceability management system used by Inditex was internally developed and has been evolving throughout the five years of the 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain. The purpose of the traceability management system is to make information available to all concerned parties (both internal teams and suppliers) as well as to increase the scope of information gathered, especially focusing on traceability of raw materials.

The traceability tool was fully updated in October 2018 with the addition of new functionalities which allow it to gather increasingly accurate information on production, from raw materials to factories of finished product, including all the processes therein carried out. To help suppliers with the usability of such tool, 808 suppliers in 12 countries received onsite training prior to the above-referred update.

2,546 traceability audits were conducted in 2018 with the involvement of internal and/or external teams which worked on site in order to verify that production for the Group's brands took place in duly acknowledged and authorized factories as per the above mentioned management system.

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

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

The traceability methodology also encompasses corrective and remediation measures by requesting Production Control Plans. Where a breach is detected, the supplier must prepare a Production Control Plan, which will be monitored by internal teams, who will work with the supplier to remedy such breach. Along these lines, in 2018, the Sustainability Department carried out 158 assessments of control and management systems used by suppliers to manage productions. This assignment was undertaken in partnership with the Business Organisation Department of the Industrial Engineering School of Vigo University, Galicia, Spain.

At any rate, repeated breaches regarding traceability may entail the termination of the business relationship with a supplier. In 2018, eight suppliers were rejected for traceability reasons.

More information about the supply chain on:

<https://www.inditex.com/en/our-commitment-to-people/our-suppliers>

POLICIES AND COMMITMENTS

INTERNAL RESPONSIBILITY AND CERTIFICATION

Inditex applies a zero tolerance policy on slavery, human trafficking and any form of forced labour in its supply chain. This policy is covered in the Inditex Group Code of Conduct for Manufacturers and Suppliers, implemented in the Group's internal regulations, and in its other commitments in the area.

POLICIES AND INTERNAL REGULATIONS

- Policy on Human Rights of Inditex Group

Inditex's Human Rights Strategy relies on three main pillars: political commitment, due diligence and grievance mechanisms.

Inditex Group's Policy on Human Rights (hereinafter, the "Policy on Human Rights") was approved by the Board of Directors on 12 December 2016, following favourable reports of the Audit and Control Committee and the Social Advisory Board, this latter representing the Group's stakeholders.

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

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

Rejection of forced labour is one of the rights singled out in the Inditex Policy on Human Rights. In this regard, such Policy reads: *"Inditex rejects any form of forced or compulsory labour, as defined in ILO Convention 29. This extends both to its own employees and its entire supply chain, as well as to any natural and/or legal person related to Inditex. Inditex joined UN Global Compact in 2001, and adhered to its principle 4, according to which, businesses should uphold the elimination of all forms of forced and compulsory work or work done under coercion."* The enforcement of the Inditex Policy on Human Rights is mandatory for the whole Group and it also extends to third parties associated with Inditex across the entire supply chain. It has been disclosed to the different departments of Inditex Group and is available to all the employees on the company's intranet as well as on the corporate website (www.inditex.com). The enforcement of the Policy involves implementing and executing due diligence processes which allow Inditex to assess and, where appropriate, regularly identify current and/or potential impacts in the field of human rights. Further to such processes, appropriate measures are taken to prevent, monitor, mitigate or remedy any potential negative consequences and foster positive impacts throughout the entire supply chain.

- Corporate Social Responsibility Policy of Inditex Group

Inditex Group's Corporate Social Responsibility Policy was approved by the Board of Directors on 9th December 2015, following a favourable report of the Audit and Control Committee. The purpose of this Policy is to define the principles endorsed by Inditex in its relations with all the Group's stakeholders, encouraging the inclusion of sustainability practices across its entire business model. It also allows for the understanding, disclosure and application of Inditex's corporate culture, based on its sustainable business model, understanding such sustainability as an offer of fashion goods in strict observance of human and social rights within the supply chain, based upon transparency and a permanent dialogue with the Group's stakeholders.

- Policy on Criminal Risks Prevention of Inditex Group

Inditex Group's Policy on Criminal Risks Prevention was approved by the Board of Directors on 19th July 2016, following a favourable report of the Audit and Control Committee.

The Policy on Criminal Risks Prevention seeks to exact an ethical and responsible standard or professional conduct from the Group and its entire workforce and, in particular, to prevent the commission of any criminal offences, including offenses related to human trafficking. This Policy addresses the commitments to ethical and responsible conduct covered in the Inditex Code of Conduct of Responsible Practices, and creates a relationship between them and the prevention of criminal offences and acts by employees and the Group.

- Code of Conduct and Responsible Practices of Inditex Group

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

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

- Code of Conduct for Manufacturers and Suppliers of Inditex Group

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

Inditex Group's Code of Conduct for Manufacturers and Suppliers was approved by the Board of Directors in 2001 and amended in 2012 and it is applied throughout its supply chain, including all tiers and processes.

The first section of the Code of Conduct for Manufacturers and Suppliers establishes that: *"Inditex shall not allow any form of forced or involuntary labour in their manufacturers and suppliers. They may not require their employees to make any kind of "deposits", nor are they*

entitled to retain employees' identity documents. Manufacturers shall acknowledge the right of their employees to leave their employer after reasonable notice."

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

More information about our policies on <https://www.inditex.com/en/how-we-do-business/right-to-wear>

COMMITMENTS AND INITIATIVE

- The Ten Principles of United Nations Global Compact

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

- Commitment to the Sustainable Development Goals (SDGs)

Inditex has always been fully committed to sustainability and the respect for human rights throughout its value chain. In this respect, we have committed to the 17 Sustainable Development Goals (SDGs). Every one of Inditex's practice areas must be aligned with the commitment to working towards the objectives set by the SDGs for 2030 which include decent work conditions and the eradication of child labour, modern forms of slavery and human trafficking.

- Ethical Trading Initiative (ETI)

Inditex has been a member of ETI since October 2005 to improve working conditions for workers. ETI is an alliance of companies, international trade unions, and non-governmental organisations that promotes individual and collective initiatives to eradicate modern slavery. ETI's Base Code covers any manner of forced labour. Individual and collective initiatives to eradicate modern slavery are encouraged from the organisation.

- Global Framework Agreement with IndustriALL Global Union

2017 marked the tenth Anniversary of the Global Framework Agreement (GFA) executed between Inditex and IndustriALL Global Union, the International Federation of trade unions which represents 50 million workers in 140 countries. This GFA protects and promotes best working conditions throughout the entire supply chain, and it represented a key milestone in the industry, as it was the first to extend to a global supply chain and to create a space for the exchange of ideas and proceedings regarding workers' rights.

- Public-Private Partnership with ILO to promote respect for the fundamental principles and rights in the cotton sector

Inditex and ILO entered into a partnership in 2017 and its expected term is three years. The Partnership is aimed at the joint promotion between Inditex and ILO of respect for the fundamental principles and rights at work in the supply chain of the cotton sector.

- Collaboration with ILO's 8.7 Alliance

In line with its commitment to the Sustainable Development Goals, Inditex is a partner of ILO's 8.7 Alliance. The alliance brings together governments, companies, workers' organisations and the society at large, among other relevant actors, to eradicate forced labour, modern slavery, human trafficking and child labour.

- ILO's *Better Work* Programme

Inditex and the ILO's Better Work Programme accessioned a partnership in October 2007. In the course of this partnership, Inditex and Better Work executed on 9th October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work Programme. The Better Work Programme is a platform to improve compliance with labour regulations and competitiveness of global supply chains.

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

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

- *ACT (Action, Collaboration, Transformation)*

Inditex has been an active participant in ACT and its work groups since 2015. ACT is a collaboration initiative between retail brands, suppliers and trade unions to transform the industry and achieve living wages in the sector.

- *Better than Cash*

Better than Cash is an alliance of governments, companies and large international organizations based within the UN that seek to globally promote the transition from cash to digital payments. Inditex is focused on achieving digitalisation across its supply chain.

- *Accord on Fire and Building Safety in Bangladesh*

Inditex signed the Accord on Fire and Building Safety in Bangladesh on 13th May 2013 and renewed its signature on 1st June 2018. This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country. Inditex is a founding member and sits on the Steering Committee.

More information about our commitments and initiatives on
<https://www.inditex.com/en/how-we-do-business/right-to-wear>

DUE DILIGENCE PROCESS

Together with the Inditex Policy on Human Rights and grievance mechanisms, the second main driving force behind Inditex's Human Rights Strategy is due diligence. This process entails identifying potential impacts on human rights throughout the value chain, to subsequently integrate the findings into the different processes of the Group.

In 2018, 68 individuals in 12 countries were responsible for the due diligence process in the field of human rights across Inditex's supply chain, in partnership with 547 external experts.

Also in 2018, other relevant areas of the company, such as Internal Audit, General Counsel's Office and Enterprise Risk Management, have been involved in the implementation of standardised due diligence processes.

In particular, progress has been made in due diligence processes related to the supply chain, one of the areas where Inditex may be more likely to have a higher impact. In partnership with Shift, a benchmark in the field of Guiding Principles on Business and Human Rights, social sustainability teams in countries which represent nearly the entire production of Inditex have been trained on human rights and on the processes inspired by the United Nations Guiding Principles on Business and Human Rights, for the purposes of identifying and prioritising potential impacts on human rights and on the different stakeholders. This initiative has helped in the review and advancement of the strategy for the sustainable management of the supply chain, which since 1st February 2019, is managed through the "2019-2022 Worker at the Centre" strategy.

In particular, three priority groups have been identified to further the efforts made to oversee the supply chain regarding forced and involuntary labour, namely: migrants, women, and workers in the supply chain of raw materials.

I) PROTECTION OF MIGRANTS

Inditex's work to protect migrants extends across the entire supply chain. However, each programme focuses on the reality inherent in the country in question, as not all migratory flows are the same. Thus, although the major challenges that migrants or refugees have to face may be common, each territory has specific needs.

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

Some of the main activities carried out and results obtained in 2018 are shown below:

	GOAL	2018 MILESTONES
PREVENTION AND DETECTION	Assessing all factories, paying special attention to migrant workers.	Conducting social audits to detect any manner of inappropriate situations.
AWARENESS - RAISING AND TRAINING	Raising awareness among factories' managers and workers on preventing discrimination and promoting integration.	Programme with <i>United Work</i> in Turkey. Programme with <i>Refugee Support Centre (MUDEM)</i> in Turkey. Programme with <i>ETI</i> in China.
REMEDIATION	Offering remediation, protection and individual advice.	Partnership with the <i>Refugee Support Centre (MUDEM)</i> in Turkey to set on plans on individual remediation.
INTEGRATION	Achieving full integration of migrants both in the work environment and in communities.	Partnership with <i>ILO</i> in integration programmes through the rol of mentors in ow.

PARTNERSHIPS FOR REFUGEES AND MIGRANTS' PROTECTION

Inditex has teamed up with different actors within the supply chain in the different areas where actions to protect migrants and refugees unfold. From suppliers and manufacturers themselves, to other brands, as well as different NGOs, governments and other organisations. Inditex is a member of Tent Partnership for Refugees and Refugee Working Group, established on the initiative of the different brand members of FLA (Fair Labour Association) in Turkey, which seeks to find joint solutions and establish areas for cooperation to promote appropriate working practices for migrants. Also in Turkey, the company is involved in the human rights group of the Ethical Trading Initiative, where protection of refugees plays a starring role.

Inditex also works with the International Labour Organization in the protection of migrants. In addition to the public-private agreement executed with ILO in 2017 aimed at the reinforcement and strategic alignment of policies to promote assistance and protection of migrant workers in Brazil (known as PPP ABVTEX-ABIT-Zara Brazil), in 2018 the Group has endorsed a pilot programme aimed at the integration of refugees in Turkey.

More information about protection of migrants on <https://www.inditex.com/our-commitment-to-people/our-suppliers/workers-at-the-center/syrian-refugees-in-turkey>

II) WOMEN EMPOWERMENT

Based upon SDG 5, aimed at gender equality and women empowerment, a Strategy for the Empowerment of Women in the Supply Chain was approved in 2017. The Strategy revolves around three pillars: - health, protection and empowerment- and is based upon different tools for continuous improvement, supplemented by a gender perspective that allows broaching women-related sensitive issues and implementing specific gender-related measures and practices.

Some of the main activities carried out and results obtained in 2018 are shown below:

	GOALS	2018 MILESTONES
HEALTH	Ensuring access to health services, and protecting women's health, in particular reproductive health and feminine care.	Project with <i>Medicus Mundi</i> in Morocco. Sakhi project in India.
PROTECTION	Preventing and contributing to elimination of discrimination, harassment and abuse at the workplace.	Sowbhagyam project in India. Sakhi Worker Wellbeing project in India.
EMPOWERMENT	Providing women with tools that enable them to play an active role in the work environment, to improve the quality of life of women, men, children, families, communities and of the society at large, and contribute to build strong and fair economies.	Sakhi Women Empowerment project in India. ILO MIG SCORE project in Turkey. HER Finance project in Bangladesh-BSR.

PROMOTING HUMAN AND LABOUR RIGHTS IN SPINNING MILLS IN SOUTH INDIA

For the purposes of promoting human and labour rights in spinning mills in South India, Inditex's approach is threefold: it covers the community, the supply chain, and changes of policies. The initial step consisted of research of the supply chain in Tamil Nadu.

In line with the first dimension of such approach, the "Sowbhagyam" programme was launched in 2013, in partnership with a local NGO, SAVE (Social Awareness and Voluntary Education), with the main goal of establishing a strong, successful and replicable model for participation in community.

The other two dimensions are addressed through commitments with ETI and AMCO, respectively. We work with ETI in the Nalam Programme, under which workers in spinning mills are given training on a number of issues, including their labour rights, health issues, grievance mechanisms and prevention of harassment at the workplace. This programme has been implemented to date in 39 factories and 19,506 workers have benefitted from the same. Inditex is also involved in ETI's TNMS (Tamil Nadu Multi-Stakeholder) programme, and is a member of the Local Consultative Committee.

The AMCO (Amsterdam Coalition), of which Inditex is a founding member, was established in 2015 by several international brands, with the goal of promoting changes of policies in India aimed at ensuring responsible working practices, focusing on spinning mills in the south of the country. In the pursuit of such goal, AMCO has engaged in dialogue with the Indian government, and collaborated with the Confederation of Indian Industry.

More information on women empowerment on <https://www.inditex.com/our-commitment-to-people/our-suppliers/workers-at-the-center/womens-empowerment>

III) PROTECTING WORKERS RIGHTS IN THE SUPPLY CHAIN OF RAW MATERIALS

Raw materials (both natural and man-made) are key to the production of the goods Inditex sells. Therefore, raw materials and their traceability have been critical to implement traceability programmes, allowing the protection of workers' rights at all levels.

In this area, special mention should be made of proceedings related to cotton, one of the most widely used textile fibres in the world. Inditex has worked with different initiatives aimed at promoting cotton sustainability, including Better Cotton Initiative, Textile Exchange, and Organic Cotton Accelerator. Inditex has also played an active role in initiatives at cotton fields led by Fair Labor Association, to provide information on employment practices and working conditions in the cotton sector in Turkey and to propose actions to address the improvement areas identified. Other partners in this field include IPUD (a local associate of Better Cotton Initiative) and a number of international brands in the sector.

COMMITMENT TO THE COTTON SUPPLY CHAIN

In 2017 a Public-Private Partnership (PPP) was executed with the International Labour Organization (ILO) aimed at promoting respect for the fundamental labour principles and rights in the cotton sector, and contributing to the sustainability of the supply chain of this raw material. This partnership has allowed Inditex to improve its knowledge of the supervision and control processes required for raw materials from the perspective of traceability, and improvement of working conditions.

PPP has helped promote fundamental labour rights in the communities where cotton is sourced in India, Pakistan, China and Mali, through a collaborative approach with different stakeholders both at domestic level, and with the communities themselves.

In 2018 implementation of the PPP mainly materialized in raising awareness and developing skills in such countries as India, China or Pakistan. The appointment of ILO representatives as Project Coordinators is also noteworthy. Project Coordinators are responsible for carrying out the different activities of each project, with the support of Inditex's local sustainability teams. Additionally, Inditex worked with authorities and different civil society organisations, both at national and regional level, to achieve a broad-based consensus to enforce the agreement.

More information on our partnership with ILO on <https://www.inditex.com/en/how-we-do-business/right-to-wear/partnerships>

RISK MANAGEMENT / SUPPLIERS' VERIFICATION AND AUDITS

The commitments and activities in areas prioritised through due diligence supplement the work carried out to monitor the entire supply chain and its compliance with the Inditex Code of Conduct for Manufacturers and Suppliers, which ensures that any form of forced labour is expressly prohibited.

In order to ensure such compliance, Inditex subjects all its suppliers and factories to different procedures and assessments regarding human and labour rights. Such proceedings have been coordinated for the last five years under the 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain which laid the foundations for the new "2019-2022 Worker at the Centre" strategy.

One of the main tools used to that end are different types of audits. Thanks to the requirement for maximum quality, and to the information gathered from such audits, Inditex can identify key areas for the development and implementation of projects to empower workers, placing them at the centre of activities, in order to guarantee their labour rights.

The first verification of the level of compliance with the Inditex Code of Conduct for Manufacturers and Suppliers occurs even before the supplier has commenced its relationship with Inditex. When a supplier decides to use a new factory, a preliminary assessment known as pre-assessment is conducted, to verify that there is no risk of violation of human rights of its workers. One of the items reviewed is the existence of forced labour. Inditex carried out 2,177 pre-assessment audits in 2018.

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

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

Finally, Inditex also conducts special audits, which focus on verifying compliance with a certain section of the Inditex Code of Conduct for Manufacturers and Suppliers, for the purposes of preventing, monitoring or remedying any risks related thereto. 1,982 special audits were conducted in 2018.

TYPE OF AUDIT	NUMBER
Traceability	2,546
Pre-assessment	2,177
Social	5,359
Special	1,982
TOTAL	12,064

In addition to this effective audit system in place at Inditex, the Group implements programmes to encourage the empowerment of workers and to train and raise awareness among suppliers, thus giving rise to a more optimised supply chain and minimising the risk of violating workers' human rights and resulting in a more sustainable supply chain.

Being close to the field and understanding the different realities and features of the countries where its supply chain extends is essential for Inditex. For such reason, work in the supply chain is organised through supplier clusters. These clusters are defined as areas of cooperation created with the aim of promoting a sustainable production environment within a core geographic region to facilitate the development of Inditex's business model, framed by strict compliance with fundamental labour rights. Through these clusters, we join forces with unions, non-governmental organisations (NGOs), worker associations, governments, international customers and civilian associations in order to foster engagement with our suppliers and manufacturers.

The Group currently has 12 supplier clusters that account for 96% of its production, located in Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, Cambodia, China, Brazil, Argentina and Pakistan.

More information on risk management on
<https://www.inditex.com/en/our-commitment-to-people/our-suppliers/fundamental-rights-at-work>

EFFECTIVENESS AND IMPROVEMENT PLANS

From the perspective of sustainability, the Group's philosophy consists of growing and improving together with its suppliers, which means that audits carried out are always followed up on. Each audit immediately triggers a corrective action plan that sets exacting goals and terms. Any supplier wishing to maintain its business relationship with Inditex is bound to perform these corrective action plans, and for these purposes, they rely on the full support and dedication of Inditex's Sustainability Teams. In addition to internal teams, other stakeholders such as NGOs, trade unions or other civil society organizations can be involved in such plans.

Corrective action plans mainly target: (i) the establishment of measures aimed at mitigating and/or remedying potential non-compliances with the Code of Conduct for Manufacturers and Suppliers; and (ii) prevention, to avoid further breaches in the future.

Inditex relies on its own internal methodology to carry out corrective action plans. Such methodology entails certain standard proceedings, including competence visits from internal teams to verify the degree of compliance with the plan prior to completion.

Where any breach of the most sensitive aspects of the Code of Conduct for Manufacturers and Suppliers is detected, the duration of the corrective action plan is restricted to six months. Once this period is over, a new social audit is carried out to assess the degree of compliance with the plan. If during this audit it is found that the plan has not been complied with, the factory or supplier will be rejected and its business relationship with Inditex suspended. 417 corrective action plans were implemented in 2018. Inditex internal teams have collaborated with suppliers on some 2,458 corrective action plans since the 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain was launched.

More information on effectiveness on:

<https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement>

TRAINING AND AWARENESS-RAISING

Educating and training suppliers and manufactures is one of the core pillars of the Inditex Sustainability Strategy. Social sustainability across the supply chain requires that suppliers embrace the provisions of the Code of Conduct and the values developed through the programmes implemented by Inditex, related to issues such as women empowerment or living wages across the supply chain.

Training provided by Inditex to its suppliers can be done either in groups or individually. Individual training is run by internal teams, while group training can be provided either internally or teaming with different reputable organisations from various fields of knowledge. In this regard, mention should be made of the training run in 2018 together with IndustriALL in Romania, Bulgaria, India and Bangladesh, and in partnership with the International Labour Organization in Turkey, and with ACT initiative also in Turkey.

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

On the other hand, Inditex's purchasing practices approach promotes continuous dialogue and participation at all levels, both internally and externally, thus extending its commitment to respect for human and labour rights to the purchasing process. At Inditex, buyers' teams are trained and become aware of the impact that their activities and decisions have on the supply chain. 142 buyers from India, Turkey, Bangladesh and Spain were trained in 2018 by means of bespoke interactive modules on purchasing practices. In addition, sustainability teams in Turkey, China, India, Bangladesh and Argentina held 107 individual meetings to raise awareness with their respective colleagues from the buyers' teams at subsidiary level.

GRIEVANCE MECHANISMS

The third pillar of the Inditex Group's Human Rights Strategy, together with the Policy on Human Rights and due diligence, are grievance mechanisms. In this regard, Inditex relies on a Whistle Blowing Channel, available to all its employees, manufacturers, suppliers or third parties with a direct relationship and a lawful business or professional interest, regardless of their tier or their location. This is in place in order to report any breach of Inditex's Codes of Conduct, the internal policies of the Company, or the Policy on Human Rights, by any employee, manufacturer, supplier or third party engaged in an employment, business or direct professional relationship that affects the Group. The Whistle Blowing Channel also allows relevant parties to send any queries regarding the construction or application of the Codes of Conduct or the Company's internal policies, including the Policy on Human Rights. The confidentiality of such reports is ensured.

This Whistle Blowing Channel is managed by the Committee of Ethics, composed of the General Counsel and Chief Compliance Officer, the Chief Human Resources Officer, the Chief Sustainability Officer and the Chief Audit Officer. The Committee of Ethics submits a report twice a year to the Audit and Control Committee, which in turn, appraises the Board of Directors of its proceedings, the cases seen and the enforcement of the Codes of Conduct as well as of any other additional documents comprising the Corporate Compliance system of the Group from time to time in force.

Inditex remains committed to enforcing best practices on social sustainability across its supply chain. In 2019, a new strategic Plan for the socially sustainable management of its supply chain has been launched, based upon the results from the former “2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain”. The new Plan revolves around the workers within the supply chain and their wellbeing, its main goal being respect for human rights, with special mention made of the efforts for eradicating modern slavery in all its forms.

This Statement has been approved by the Board of Directors and signed by Mr Antonio Abril Abadín, General Counsel, Secretary of the Board and Chief Compliance Officer of Inditex Group.