

INDITEX

California Transparency
in Supply Chains Act

California Transparency in Supply Chains Act

Massimo Dutti USA, Inc., part of the Inditex Group, is fully committed to respecting, promoting, and protecting Human Rights within its entire value chain, this being one of the main pillars of our business model.

Inditex is committed to preventing forced labor at all levels within its value chain, in particular, its supply chain. The Group strongly believes that this individual commitment is strengthened by a collective approach through collaboration with stakeholders (including NGOs, civil society, suppliers, industry peers, etc.) to drive systematic and effective changes at sector level to create a positive impact in the long run.

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

This Statement constitutes "Inditex Group Modern Slavery, Human Trafficking and Transparency in Supply Chain Statement" for the fiscal year ended on 31 January 2022 and refers to both Industria de Diseño Textil, S.A. (Inditex, S.A.) and its subsidiaries (the "Company", "Inditex" or the "Group").

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

For Inditex, it is essential to rely on a socially responsible supply chain where the fundamental Human and Labor Rights of each person within it are respected. In this regard, work is based on the strategy "[Workers at the Centre 2019-2022](#)". This strategy revolves around the premise of understanding and meeting the needs of workers, their families, and the communities where they live, for the purposes of promoting decent work and sustainable production environments.

In 2021, Inditex's supply chain comprised 1,790 direct suppliers¹ who in turn used 8,756² factories for the productions of the Group.

Verification and supplier audits

Inditex applies a zero-tolerance policy on slavery, human trafficking, and any form of forced labor in its supply chain. In order to ensure compliance, Inditex subjects all its suppliers and factories to different procedures and assessments regarding Human and Labor Rights, including all aspects related to forced labor or any type of modern slavery. The traceability of the supply chain is a first and essential

step. On account of its global supply chain, Inditex strives to identify each, and every player involved in the production of goods, to ensure that they all meet the Group's strong sustainability commitments.

To achieve traceability of the supply chain, Inditex follows two main lines of action: traceability management systems and traceability assessments:

1. Traceability management systems are based on requiring from our suppliers that they share with us the full information of their supply chain, which will be recorded in our systems to be subsequently reviewed and approved. Information about social performance and performance in the field of human rights of each production facility is found in such systems.

2. Traceability assessments seek to establish that the information provided by the suppliers is true and correct and that all production processes are carried out in previously registered and approved facilities. Thus, unannounced visits take place to factories to subsequently check with the traceability tool whether the findings from the visit match the information entered in the traceability tool. 6,119 traceability audits were performed in 2021.

Before starting a commercial relationship with Inditex, every potential supplier and manufacturer (although they are not direct suppliers of the Group, but they are part of its supply chain) is subject to a [pre-assessment audit](#) to verify, among others, that no violation of Human Rights of its workers exists, ensuring that only those who meet the Group's sustainability standards may become part of the supply chain.

During such pre-assessment audits, one of the elements reviewed is the prohibition of forced labor. In 2021, 2,397 pre-assessment audits of suppliers and manufacturers who were potentially commencing doing business with Inditex were carried out without being announced previously.

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

Social audits are conducted without prior notice by both external and internal auditors. Each audit includes tools allowing to identify any form of forced labor, and verify such issues as retention of documentation, freedom of movement

¹ Suppliers of fashion items with a production of over 20,000 units/year in the 2021 Spring/Summer and Fall/Winter campaigns. Suppliers with lower productions account for 0.25% of total production.

² Factories declared by the suppliers in the product traceability system for 2021 orders.

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and the termination of the agreement, the use of agents for recruiting staff and their relationship with the workers, including payment of hiring fees, among others. 5,840 social audits were conducted in 2021.

In addition to social audits, Inditex also conducts special audits, which focus on verifying compliance where a potential non-compliance with the Inditex Code of Conduct for Manufacturers and Suppliers is detected, for the purposes of preventing, monitoring or remedying any risks. 1,4081 special audits were conducted in 2021.

Lastly, within the framework of our human rights strategy and the application of due diligence processes in our value chain, during 2021 the Group audited several the distribution centres Inditex works with, both in Spain and other markets. The procedure is the same as for our social audit of the factories in our supply chain. In this regard, Inditex carried out 27 social audits of external distribution centres in the year.

Discovery of a compliance breach immediately triggers a [Corrective Action Plan](#) that identifies the actions required by the supplier or the manufacturer to improve their compliance with the Code of Conduct for Manufacturers and Suppliers, as well as the time frame to implement them.

Once this period is over, a new social audit is carried out to assess the degree of implementation of the corrective measures carried out. If it is found that the necessary measures have not been implemented, the factory or supplier is blocked within Inditex's supplier management system and can no longer work for Inditex. 570 Corrective Action Plans were conducted in 2021.

Internal accountability and certification

Inditex zero-tolerance policy on slavery, human trafficking and any form of forced labor is covered in the Code of Conduct for Manufacturers and Suppliers, implemented in the Group's internal regulations and in its commitments in the area.

All the suppliers and factories involved in producing goods that Inditex sells, are expressly required to abide by Inditex's values and responsible practices.

Policies and Internal Regulations

/ [Policy on Human Rights of Inditex Group](#): Following the United Nations Guiding Principles on Business and Human

Rights, the Policy on Human Rights sets forth Inditex's position with regard to its commitment to respecting internationally recognized Human Rights, and it lays down such values and principles that will serve as a guideline to all its business activities.

Rejection of forced labor is one of the rights singled out in the Inditex Policy on Human Rights. In this regard, the Policy reads: "Inditex rejects any form of forced or compulsory labor", 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.

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

/ [Code of Conduct and Responsible Practices of Inditex Group](#): Inditex Group's Code of Conduct and Responsible Practices is the main policy that inspires and governs all the Group's operations and stipulates the binding principles that apply in each area of its activities.

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

The first section of the Code of Conduct for Manufacturers and Suppliers provides that: "Inditex shall not allow any form of forced or involuntary labor 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 Labor Organization (ILO)".

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Commitments and Initiatives

- / Commitment to Ten Principles of United Nations Global Compact
- / Commitment to the Sustainable Development Goals (SDGs)
- / Global Framework Agreement with IndustriALL Global Union
- / Members of Ethical Trading Initiative (ETI)
- / Public-Private Partnership with ILO to Promote respect for the fundamental principles and rights in the cotton sector
- / ILO's Better Work Program
- / Participation in the Decent Work in Supply Chains Action Platform by United Nations Global Compact
- / Participation in Shift's Business Learning Programme
- / COVID 19: Action in the Global Garment Industry
- / United Nations High Commissioner for Refugees (UNHCR)
- / Tent Partnership for Refugees

Human Rights Strategy

Due diligence process is the second main pillar of Inditex's human rights strategy (the Policy on Human Rights is the first, and queries and grievance mechanisms, by means of the Ethics Line, the third). The Group's strategy for a sustainable supply chain, is managed through the "2019-2022 Workers at the Centre" strategy. This strategy is developed in seven priority impact areas, resulted from human rights due diligence process. Three of these priority areas have been identified to further the efforts made to oversee the supply chain regarding forced and involuntary labor: protection of migrants and refugees, gender, diversity and inclusion and protection of labour rights in the production of raw materials.

Protection of Migrants

Migrants and refugees are especially vulnerable in global supply chains. Thanks to the work carried out by the Company in the field of Protection of Migrants and Refugees, Inditex has reached 40,828 workers and involved

115 suppliers and factories in the programmes, organised around three strategic lines.

/ Remediation plans for refugees and migrants in four areas:

- Assessment and effective verification of working conditions
- Supporting workers' integration
- Support for getting work permits
- Advice and support in every aspect of their lives

/ Fair employment and recruitment practices for migrants and refugees

- Strengthening social and labor cohesion

Gender, Diversity and Inclusion

Women are one of the vulnerable groups more largely represented in our supply chain, and as such, more likely to have their social, labor and human rights violated. The main goal of this PIA is promoting that all the women in the supply chain benefit from the best conditions and opportunities, while fostering gender equality in a crosscutting manner, and creating a diverse, safe, and inclusive work environment.

The strategic plan in this field is based on three main pillars:

- / Health
- / Protection
- / Empowerment

Thanks to the work done under the umbrella of this impact area in the year, 235,041 workers were reached, and 109 suppliers and factories were involved in the various projects and actions.

For more information on these initiatives see: ["Workers at the Centre 2019-2022"](#)

Protection of labor rights in the production of raw materials

Raw materials are the farthest link in the textile supply chain and the production process differs for each one. Considering this, workers in this sector therefore experience a different reality to workers in the factories of finished goods. Inditex has developed a strategy to protect labor rights in the

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production of raw materials which relies on three strategic action lines:

/ Promoting the well-being of workers in the supply chain of raw materials

/ Raising the responsibility on sustainability of all the players in the supply chain

/ Creating best practices and recommendations for the raw materials supply chain

In this regard, the Group has taken a holistic approach to protecting the rights of such workers, by joining forces with several players, including local and international organizations and communities themselves.

As an example, to drive the progress of sustainability across the supply chain of cotton, Inditex works with other organizations in the sector, such as Textile Exchange or Organic Cotton Accelerator, in addition to working with ILO under the Public Private Partnership (PPP) signed with Inditex in 2017 to promote respect for human rights at work from cotton producers in different cotton producing communities. The four fundamental rights that ILO advocates for in its Declaration on Fundamental Principles and Rights at Work are:

/ Freedom of association and the effective recognition of the right to collective bargaining.

/ The elimination of all forms of forced or compulsory labor.

/ The effective abolition of child labor.

/ The elimination of discrimination in respect of employment and occupation.

So far, Inditex has worked together with ILO in the cotton producing communities of India, Pakistan and Mali. In 2021, more than 23,094 workers of cotton producing communities have benefitted from this work through awareness raising, skill-building programmes and dialogue on the working conditions of the workers in the cotton industry.

Due diligence in the cotton supply chain

In 2021, based on our due diligence processes and in collaboration with various organisations, Inditex has continued to work to ensure the absence of forced labor – of which Inditex has a zero-tolerance approach – as well as

to ensure compliance with international standards and our Code of Conduct for Manufacturers and Suppliers including in the raw materials supply chain. Inditex has developed and applies strict policies and actions with the goal of fostering respect for the human rights of all workers in our supply chain.

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

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

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

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

The Ethics Line

The Ethics Line, managed by the Committee of Ethics, is the main grievance mechanism of the Company and is available to all Inditex employees, manufacturers, suppliers or third parties with a direct relationship and a lawful business or professional interest, regardless of their tier or their location.

This is in place in order to report any breach of Inditex's Codes of Conduct, the internal policies of the Company, or the Policy on Human Rights, by any employee, manufacturer, supplier or third party engaged in an employment, business or direct professional relationship that affects the Group, or send any queries regarding the construction or application of the Codes of Conduct or the Company's internal policies, including the Policy on Human Rights.

More information about the [Committee of Ethics and Ethics Line](#)

Training and awareness

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

Training is also provided to suppliers, which can be done either in groups or individually. Individual training is run by internal teams, while group training can be provided either internally or teaming with different reputable organizations. Such as, IndustriALL, ILO, Better Work, Business for Social Responsibility (BSR), among others

In 2021, 260 training sessions were run to 521 suppliers to provide them with the skills to foster a more sustainable supply chain. Also, in 2021, 228 buyers and 28 heads of the commercial area of the different brands were trained in responsible purchasing practices.

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