

## California Transparency in Supply Chains Act

Pull and Bear (ITX USA, LLC) 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.

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 and Human Trafficking Statement and Transparency in Supply Chain Statement” for the financial year 2019, ended on 31st January 2020, and refers to Industria de Diseño Textil, S.A. (Inditex, S.A.) and its subsidiaries (“Inditex” “the Group” or “Inditex 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 new strategy launched in 2019 "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 2019, Inditex’s supply chain comprised of 1,985 non-exclusive suppliers in 44 markets, working in 8,155 factories.

### 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 first verification of the level of compliance with the Code of Conduct for Manufacturers and Suppliers occurs even before the supplier has commenced its relationship with Inditex. When a supplier decides to propose 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.

In 2019, Inditex carried out 2,789 pre-assessment audits.

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, the 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 to identify any form of forced labor, and verify such issues 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. 6,411 social audits were conducted in 2019.

Inditex also conducts special audits, which focus on verifying compliance with a certain section of the Code of Conduct for Manufacturers and Suppliers, where a potential breach is detected, for the purposes of preventing, monitoring or remedying any risk. 1,619 special audits were conducted in 2019.

In addition, 1,396 traceability audits were conducted in 2019 with the main purpose of verifying on site that the goods of the Group are produced in factories previously authorized and duly declared with the traceability management system.

Discovery of a compliance breach triggers the immediate rollout of a corrective action plan that imposes stringent targets and timelines. 400 corrective action plans were implemented in 2019. Given Inditex's zero tolerance on forced labor and human trafficking, if the breach is not corrected, Inditex will cease its business relationships with the supplier.

More information on [Audits and Remediation](#).

## **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.

- **Corporate Social Responsibility of the Inditex Group**: The Policy defines the principles endorsed by Inditex in the relations with the stakeholders, encouraging the inclusion of sustainability practices across its entire business model.

- **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 Labour Organization (ILO)".

### **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
- Accord on Fire and Building Safety in Bangladesh

More information about our [Commitments and Initiatives](#).

### **Human Rights Strategy**

The Group's strategy for a sustainable supply chain, is managed through the "2019-2022 Worker at the Centre" strategy. This strategy is developed in seven priority impact areas, resulted from human rights due diligence process. Four of these priority areas have been identified to further the efforts made to oversee the supply chain regarding forced and involuntary labor: migrants, women, and workers in the supply chain and raw materials.

## 1. Protection of Migrants

Inditex does not allow any form of exploitation of the workers in its supply chain and pays special attention to working conditions of migrants.

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

In addition to individual remediation plans, projects focusing on protection of migrants and cohesion of the supply chain and in the community are implemented. To develop such projects, and to broach the challenges relating to recruitment and employment of migrants, the cooperation of the various stakeholders is required. Therefore, Inditex is a partner of key players, such as the International Labour Organization, ACNUR, Ethical Trading Initiative, employers' associations and other brands, suppliers and NGOs. In addition, the Group is a member of the Tent Partnership for Refugees platform.

## 2. Women's Empowerment

The large majority of workers in the global garment supply chains are women.

Based upon United Nations Sustainable Development Goal 5, that seeks to ensure gender equality and empowerment of women and girls, the Inditex [Strategy for the Empowerment of Women in the Supply Chain](#) is based upon three main pillars: Empowerment, Health and Protection.

## 3. Raw Materials

Raw materials are a key element in the manufacturing of the finished products that Inditex sells. Cotton, being one of the most used textile fibers globally, represents a challenge in terms of traceability considering the fragmentation and geographical spread of the industry from the spinning process and the subsequent preparation of the fabric, which may give rise to a potential situation of vulnerability of labor rights of the workers involved in the different production processes.

Inditex holds a Public-Private Partnership (PPP) with the International Labour Organization since 2017, aimed at promoting respect for the fundamental principles and rights at work in the cotton sector.

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 labor 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.

Inditex works 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.

#### **4. Social Protection**

Social protection is defined as the set of policies and programs designed to reduce and prevent vulnerability in the lifetime of people. Social protection extends not only to workers, but also to their families, including young people not of legal working age. For such reason, within the scope of the Social Protection priority area, a specific work line is included to collaborate with local communities to alleviate poverty and prevent child labor.

It should be noted that the Code of Conduct for Manufacturers and Suppliers of the Inditex Group provides that: “Manufacturers and suppliers shall not employ minors. Inditex defines minors as those persons who have not yet reached their 16th birthday. In cases where local legislation stipulates a higher minimum age, the higher limit shall apply”.

Inditex relies on a number of mechanisms to establish compliance with this provision of the Code and, where necessary, set in train a Remediation Plan (the “Plan”) aimed at providing potentially impacted people with the appropriate remediation.

#### **The Ethics Line (formerly, the Whistle Blowing Channel)**

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.

1,018 suppliers were trained in groups and 565 individual meetings were held with 461 suppliers in 2019.