

# INDITEX

California Transparency  
in Supply Chains Act

## California Transparency in Supply Chains Act

ZARA 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 2024 and refers to both Industria de Diseño Textil, S.A. (Inditex, S.A.) and its subsidiaries (the "Company", "Inditex" or the "Group").

In this regard, the Company's commitment to the responsible management of its supply chain requires identifying working areas where Inditex can contribute to improving the conditions of the industry in each market where Inditex operates, creating sustainable production environments. Inditex meets this challenge by setting and implementing policies aligned with Human Rights and the fundamental labour standards. Inditex also establishes monitoring and direct cooperation tools with its suppliers and takes part in multilateral dialogue with organizations and institutions in the field.

In 2023 we had 1,733 direct suppliers<sup>1</sup> in 45 markets, who created our products at 8,123 factories<sup>2</sup> and generated more than three million jobs.

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

### Policies and Commitments

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

Before commencing work for Inditex, all suppliers, to be part of the Inditex's supply chain, must first accept and undertake

to meet (and to enforce compliance by the facilities they work with) the Inditex Minimum Requirements (IMRs). The IMRs include compliance with the Inditex Code of Conduct for Manufacturers and Suppliers and the Human Rights Policy, - among other policies and standards- which explicitly prohibits slavery and human trafficking, and it is based on applicable national laws and international standards in the field, with which our suppliers and manufacturers must comply.

/ **Human Rights Policy:** Following the United Nations Guiding Principles on Business and Human Rights, this policy sets forth Inditex's position regarding 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:** The Sustainability Policy defines the principles that sustain the relations of the Group with all its stakeholders, favoring 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:** is the document that establishes the Group's ethical commitments and principles of action that should guide relations between people in the Group and the relations between them and the various stakeholders anywhere in the world, such as customers, suppliers, shareholders and the communities in which we operate.

/ **Code of Conduct for Manufacturers and Suppliers:** It is enforced across the entire supply chain, including all tiers and processes and establishes the framework that governs their relationships with Inditex.

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)".

### Commitments and Initiatives

/ Commitment to Ten Principles of United Nations Global

<sup>1</sup> Figures include suppliers with more than 20,000 production units in the 2023 summer and winter campaigns, based on the primary data extracted from the Company's systems (suppliers with production of less than 20,000 units represent 0.19%).

<sup>2</sup> Figures include factories declared by the suppliers with more than 20,000 production units in the 2023 summer and winter campaigns in the manufacturer's management system for 2023 orders.

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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.

/ Participation in ILO's Better Work Program.

/ Participation in Shift's Business Learning Program.

/ Collaboration with United Nations High Commissioner for Refugees (UNHCR).

/ Collaboration with Tent Partnership for Refugees.

/ Country partnership for zero child poverty.

### Due Diligence Process

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.

Due diligence process is the second pillar of Inditex's human rights strategy (the Policy on Human Rights is the first, and grievance mechanisms, the third).

Due diligence is the process used for identifying potential negative impacts on human rights across the Company's value chain and their subsequent prioritization, to integrate the findings into the different processes of the Group. This process is permanently updated to bolster the strategy, in coordination with our stakeholders.

Inditex's view with respect to the scope of the human rights strategy coincides with that of the UN Guiding Principles: it must cover the entire value chain. This means identifying and prioritising potential impacts so as to incorporate the findings into our activities, designing tools to prevent and mitigate them, and continuously enriching and complementing these tools.

The creation of these processes involves all the key areas of the Company, such as Human Resources, Risk Management or Compliance, and they are constantly reviewed and updated.

In line with the principles and criteria for action established in the Code of Conduct for Manufacturers and Suppliers, at Inditex we are firmly committed to preventing compliance risks from third parties with whom Inditex maintains a direct business relationship.

Comprehensive and effective due diligence concerning

human rights in a global supply chain entails policies, tools and robust practices designed to identify, prioritize and mitigate the impacts on people. Inditex has developed a socially sustainable management of its supply chain with a rigorous compliance program that includes audits, corrective action plans and training, among other measures, accompanied by a strategy that puts 'Workers at the Centre'. This strategy is based on respect for and promotion of human rights, as well as the creation of social value in the community and industry.

#### Socially responsible supply chain management

We have developed a responsible supply chain management approach applying strict policies and procedures to ensure decent working conditions for all the workers of suppliers and manufacturers.

We are in continuous communication with our suppliers through the buying and sustainability teams. In this regard, it is worth highlighting the on-the-groundwork of our clusters, which accompany suppliers locally throughout the commercial relationship.

In fact, our accompaniment work begins even before establishing this commercial relationship with suppliers, as we carry out an initial assessment of compliance with our human rights, labor and other requirements. Only those that pass this assessment can receive orders.

Furthermore, to foster compliance with our requirements and procedures, and to improve their social performance, we conduct training and awareness exercises with our suppliers to advocate respect for and promotion of human, labor and social rights.

Our accompaniment, assessment and continuous improvement is materialized in a range of actions that can be grouped into:

/ Continuous assessments: all our suppliers and manufacturers are subject to periodic audits to check they comply with our policies, codes of conduct and requirements.

/ Specialized training: we provide training on topics such as gender equality and diversity, freedom of association or occupational health and safety, among others.

/ Corrective Action Plans (CAPs): when an assessment reveals a noncompliance, we devise programmes to correct it. During their implementation, our teams support the supplier and also collaborate in some cases with other organizations such as, for example, NGOs.

All these actions are coordinated and complemented by Inditex's Workers at the Centre strategy, which aims to create social value in the community in a responsible way and to drive the industry's transformation.

#### *"Workers at the Centre 2023-2025" strategy*

The lessons learned during the implementation of the Workers at the Centre 2019-2022 strategy and the 2022 update of the due

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diligence exercise, were key in the design of the strategy Workers at the Centre 2023-2025.

This new phase continues the focus on impact and engagement and places a stronger bias on transformation and development, with a public commitment to reach three million people.

Workers at the Centre 2023 – 2025 is structured through five Priority Impact Areas (PIAs) identified through a due diligence process: social dialogue, health, living wages, respect, and resilience.

The strategy also strengthens the focus on vulnerable groups as direct recipients of the strategy, including women, migrants, people with disabilities or workers involved in the production of raw materials, among others.

Our approach materializes, among others, in the following lines of work:

### *Respectful work environments free from any kind of violence and harassment*

We carry out activities in an evidence-based approach, aimed at understanding the specific needs in both the workplace and the community to develop solutions to halt violence and harassment. Hence, we foster a culture of respect as a preventive measure, while strengthening mitigation and remediation measures as needed.

### *Fair recruitment and employment culture*

Providing decent work and using fair recruitment and employment practices are among the key aspects of this Priority Impact Area. At Inditex we have a zero-tolerance policy towards child labor and any kind of forced labor. These topics are discussed in our Code of Conduct for Manufacturers and Suppliers, which specifies the employment of children and any form of forced or involuntary labor in our supply chain is forbidden.

### *Protection of migrant and refugees*

Inditex aims to raise awareness about the relevance of integrating migrants and refugees into the recipient communities by means of projects and the dissemination of best practices.

### *Zero tolerance for child labor*

At Inditex we are committed to ensuring that our supply chain is free of child labor, and that is why we have established a series of policies and actions as a way of prevention, mitigation and remediation. All suppliers and factories are informed about this policy when they start their commercial relationship with Inditex, and compliance includes different approaches such as training, guidance, evaluation, and remediation plans.

Specifically, the child labor remediation plan is a mandatory process implemented globally that is activated if a worker is found to be under the age stipulated in our Code. Suppliers and factories are responsible for developing and

implementing a series of feasible corrective actions following this communication and for reaching an agreement with the minor and their guardians, which includes providing schooling opportunities for the minor, paying them a living allowance until the age of 16, or employing an adult family member in their place, among other measures, to reduce the likelihood of them returning to work to support their family.

As these plans are implemented, they are continuously monitored by Inditex's internal teams, and external expert organizations may also be brought in to collaborate.

### ***Due diligence in the cotton supply chain***

Based on our due diligence processes and in collaboration with various organizations, Inditex continues to work to ensure the absence of forced labor – of which Inditex has a zero-tolerance approach – as well as to promote 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 compliance program, together with the activities related to the 'Workers at the Centre' 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 Labour 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 Labour rights of workers within the global textile supply chain.

### **Enhanced Due Diligence**

Inditex also carries out enhanced due diligence to identify potential human rights violations that may be especially complex to detect through standard social audits. If Inditex's due diligence system assesses that a potential breach of its standards exists or identifies any potential human rights risks in its supply chain related to forced or child labour, Inditex may terminate the business relationship and/or block the affected supplier(s). It encompasses a holistic approach to sustainable supply management, which includes stakeholder engagement, capacity building and constant improvement through various initiatives. Additionally, it involves a thorough analysis of the entire corporate group and commercial relationships of all current and potential new suppliers and manufacturers.

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More specifically, Inditex's enhanced due diligence includes:

- Analyzing whether third parties are included on sanction lists;
- Analyzing whether third parties have corporate or commercial ties with sanctioned entities;
- Analysis of any mentioned in reports published by NGOs or other institutions;
- Utilizing specialized computer/informational Human Rights warning tools;
- Utilizing tools to trace global transactions;
- Utilizing tools for assessing reputation issues;
- Conducting isotope testing to evidence the origin of the raw materials used in garment production.

Thanks to its enhanced due diligence system, the already strong control system gets reinforced, helping Inditex to identify potential risks of non-compliance with its standards.

### Traceability

The traceability of the supply chain is the first and essential step. Because 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 requesting that our suppliers share with us the full information of their supply chain, which will be recorded in our systems to be subsequently reviewed and approved. The systems include a field 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.

In 2023, we went a step further in the responsible management of our entire supply chain by introducing new traceability provisions, increasing the level of detail of the minimum requirements for our suppliers, already included in the Code of Conduct for Supplier and Manufacturers. Thus, these 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),

provisions state that our suppliers must:

- Know their supply chain and work exclusively with manufacturers and intermediaries previously assessed and authorized by Inditex and which comply with all our Sustainability standards.
- Notify of all the facilities and intermediaries involved in each of the productive processes, from fiber or yarn to the finished garment for each order, including both their own facilities and those contracted by themselves or by third parties. In 2022, we furthered our knowledge of their origin by working together with our suppliers.
- Provide proof of the use of preferred raw materials by means of documentation certifying their origin, including facility certification as required.

We use various control mechanisms operating in parallel to verify compliance with our traceability requirements:

- Designation control check: we check that our suppliers have provided information about their supply chain before deadline.
- Review of certificates: we check raw material certificates before approving them.
- Traceability audits: we verify the information provided by our suppliers

on site, through unannounced visits to the production facilities. This allows us to check the production processes, the production in progress and the ones completed.

In 2023, 12,100 traceability audits were conducted and to ensure the understanding and proper application of these new requirements, over the past year we have 20 face to-face training for more than 300 suppliers in 35 markets.

### Suppliers' verification and audits

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 2023, 2,111 unannounced pre-assessment audits of suppliers and manufacturers who were potentially commencing doing business with Inditex were carried out without being announced previously.

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

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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 hiring fees, among others. 6,892 social audits were conducted in 2023.

These audits include the social audits carried out using Inditex's proprietary methodology and the audits carried out following the method of the Social & Labour Convergence Program (SLCP) initiative, of which Inditex has been a member since the inception of the Program.

As a result of the social audits, our suppliers and manufacturers are classified in a social ranking based on their degree of compliance with the Code of Conduct for Manufacturers and Suppliers.

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 limit 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. 490 Corrective Action Plans were conducted in 2023.

### Grievance and queries mechanisms

The third pillar of the Inditex Group's Human Rights strategy, together with the Policy on Human Rights and due diligence, is grievance and queries mechanisms.

Inditex's main grievance mechanism is the Ethics Line, which is managed by the Ethics Committee. The Ethics Line, which is strictly confidential, is an internal communication channel available to any employee, director, and shareholder of any company of the Group, as well as anyone working under the supervision and management of manufacturers, suppliers, contractors, and subcontractors of the Inditex Group through which they may raise, anonymously if they wish:

- Questions and/or doubts on the interpretation or application of the Group's Code of Conduct and the Code of Conduct for Manufacturers and Suppliers, as well as any other internal rules of conduct within the remit of the Ethics Committee.
- Breaches and other non-compliances relating to infringements of the applicable legal system or of the Codes of Conduct or of any other internal rule of conduct within the remit of the Ethics Committee, affecting Inditex and committed by employees, manufacturers, suppliers or third parties with whom the Group has a direct employment, commercial or professional relationship.

The Ethics Committee is responsible for overseeing the Ethics Line and launching any necessary investigation, and for proposing the relevant remediation, prevention, and awareness-raising measures. The decisions of the Ethics Committee, as a collegiate and independent body, are binding

upon the Inditex Group and on the persons to whom they are addressed, where applicable.

As mentioned above, the Ethics Committee is the internal body responsible for managing the Ethics Line and must promote the necessary investigations to adequately resolve cases handled, in accordance with the Policy on Internal Reporting Channels and the Ethics Line Procedure (approved and reviewed, respectively, by the Board of Directors in 2023). The Policy and Procedure incorporate international best practices in connection with human rights and adapt the Ethics Line to the regulatory requirements of the markets in which the Group operates.

More information about the [Ethics Committee 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.

In this regard, in 2023 as part of our space dedicated to sustainability training and innovation, The Sustainable Fashion School (SFS), we completed the first and second editions of the Foundations of Textile Manufacturing Master's program, devised in collaboration with the University of Leeds. The Sustainable Fashion School consists of a space for knowledge and inspiration where our buying and design teams are backed by a solid foundation of technical knowledge and access to the latest innovations in sustainability. More than 1,200 people from all the Group's brands have completed the course.

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

Training and raising awareness among suppliers are also key to making progress towards the joint continuous improvement of the supply chain from the perspective of Human and Labour rights. Inditex's Sustainability teams advise suppliers through constant communication and training to share the Group's values, to raise awareness of respect and promotion of Human Rights and workers' wellbeing. Training programs include topics relating to procedures and requirements of the Group, including the Code of Conduct for Manufacturers and Suppliers, and to priority impact areas identified through due diligence.

Likewise, in 2023 a Compliance e-learning training course – including as content the Codes of Conduct, the Ethics Line, the Integrity Policies, among others–, has been made available to the main product suppliers across 50 markets (representing 54% of the Group's product procurement), which will allow the Group to convey the principles and behavior guidelines the Company expects from the main product suppliers within the framework of our commercial or professional relations with them

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