**EUROPE‘S SWEATSHOPS – INDITEX RESPONSE**

Inditex production is mainly concentrated in proximity countries, including European countries - such as Spain, Portugal or Turkey - and also Morocco. However, the countries identified in this report as producing for Inditex - Serbia and Ukraine – are not significant in production volume. In 2016, only 3 factories from Serbia and 2 factory from Ukraine produced for Inditex, representing a 0.0001% of total volume. All five factories have been monitored and reviewed by Inditex in terms of labour standards and working conditions, including wages and working hours, with positive result in all cases.

Even if the production volume of these countries is residual, they are nevertheless included in the sustainable management of the supply chain applied by the company. All factories and suppliers of Inditex’s supply chain are subject to the same policies and standards – such as the Code of Conduct for Manufacturers and Suppliers and the Inditex Policy on Human Rights – and are included into Inditex’s Sustainability programmes and activities. These include not only the performance of audits to verify that the conditions of factories and suppliers comply with the requirements stablished in the Code of Conduct and apply remediation whenever a breach is discovered, but also the development of different programmes aimed at ensuring workers well-being and promoting their labor and human rights.

In order to apply Inditex’s global requirements and standards at a local level and have a closer relationship with suppliers and local stakeholders Inditex has established supplier clusters in 12 key production regions. Specifically in Europe Inditex has clusters in Spain, Portugal and Turkey, which oversee the sustainable management of the supply chain in all Europe. These clusters are made up of local experts who create spaces for dialogue within communities and cooperate with suppliers, manufacturers, trade unions, non for profit organizations and other relevant international and local stakeholders with the common objective of promoting a sustainable productive environment in a strategic geographical area.

With these tools, Inditex has designed programmes in focused areas identified as priorities, with the common goal of having the “worker at the centre”. These issues include, among others, women empowerment and worker representation.

*More information in page 63 to 93 of Inditex 2016 Annual Report and* [*https://www.inditex.com/en/our-commitment-to-people/our-suppliers/fundamental-rights-at-work*](https://www.inditex.com/en/our-commitment-to-people/our-suppliers/fundamental-rights-at-work)

With regards to women empowerment, Inditex has developed a number of programmes aimed at eradicating gender inequality and strengthening women’s empowerment. All seek to respond to the real needs and social context of women in the countries where Inditex produces, as well as to develop and deepen the work of social audits, since the company’s internal methodology includes tools to identify and evaluate issues related to equality of women in the work environment.

Dedicated projects related to health and prevention of harassment and discrimination have been developed in Morocco, India and Turkey.

*More information in pages 71 to 73 of Inditex 2016 Annual Report and* [*https://www.inditex.com/en/ourcommitment-to-people/our-suppliers/case-studies*](https://www.inditex.com/en/ourcommitment-to-people/our-suppliers/case-studies)

Another relevant area of work stems from the Global Framework Agreement that Inditex signed with IndustriALL Global Union in 2007, which covers the entire supply chain. By means of this Agreement, Inditex and IndustriALL regularly cooperate with the shared objective of improving working conditions through worker participation and the promotion of harmonious and mature industrial relations within the Group's supply chain.

*More information in pages 64 to 67 of Inditex 2016 Annual Report and* [*https://www.inditex.com/en/our-commitment-to-people/our-suppliers/shared-challenges*](https://www.inditex.com/en/our-commitment-to-people/our-suppliers/shared-challenges)

In relation with the recommendations given on the report to brands and retailers, Inditex is already working in these lines not only in East Europe, but throughout all its supply chain:

Pay a living wage

As an ethical business, Inditex is committed to supporting a living wage that reasonably meets the basic needs of supply chain workers and their families. To achieve this, as enshrined in the Code of Conduct for Manufacturers and Suppliers, the group has a strategy that combines coordinated action across five key pillars: Promoting collective bargaining; responsible purchasing practices; improved working methods and systems; collaboration with other stakeholders and support campaigns.

*More information in pages 67 to 69 of Inditex 2016 Annual Report and* [*https://www.inditex.com/en/our-commitment-to-people/our-suppliers/fundamental-rights-at-work/living-wages*](https://www.inditex.com/en/our-commitment-to-people/our-suppliers/fundamental-rights-at-work/living-wages)

Work with suppliers/subcontractors to remediate the reported rights violations.

Inditex works hand in hand with its suppliers and manufacturers, as well as with relevant stakeholders in order to remediate any possible human or labour rights impacts happening at the supply chain. In this sense, Inditex's commitment to continual improvement places both remedial and preventative measures at the heart of the company's Sustainability Strategy and the company develops corrective action plans to ensure remediation of every possible breach discovered.

*More information in pages 88 to 91 of Inditex 2016 Annual Report and* [*https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement*](https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement)

Practice Human Rights Due Diligence

Inditex works to create a sustainable production environment in all the countries where its supply chain is located, one that stands for the promotion and respect of human rights, as established by the UN Guiding Principles on Business and Human Rights.

Due diligence is a fundamental pillar of the Group’s Human Rights strategy. Through due diligence Inditex identifies Human Rights related to each of the areas or processes that the company is involved in throughout the value chain. Conclusions of this due diligence are incorporated and integrated into the company’s strategies and processes.

Specifically in the supply chain, based on the results of the due diligence, Inditex designs programmes and lines of work in areas that need to be strengthened. Hence, covering aspects as diverse and important as training, representation, occupational health and safety or wages.

*More information in pages 30 and 31 of Inditex 2016 Annual Report and* [*https://www.inditex.com/en/how-we-do-business/right-to-wear/human-rights*](https://www.inditex.com/en/how-we-do-business/right-to-wear/human-rights)