

INDITEX

A person wearing a white lab coat is shown from the chest down, focused on cutting a piece of white fabric with a pair of black-handled scissors. Their left hand holds the fabric steady while their right hand operates the scissors. The scene is set on a white table. In the background, there are light-colored wooden cabinets. On the table, next to the person's hands, lies a wooden ruler and another pair of black-handled scissors. The overall lighting is bright and even, highlighting the textures of the fabric and the lab coat.

Supply Chain: management to transform the sector



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1. Our vision

At Inditex we have developed a **unique business model** the hallmarks of which are flexibility and efficiency, innovation, the creativity of our staff and our focus on sustainability in every process involved. The key to our management approach lies in swift decision making and in constantly adapting to the operational reality. This is made possible by **our presence throughout the value chain**: design, manufacturing, logistics, stores and customers.

This business model is underpinned by a **specialised, agile and flexible supply chain**, enabling us to create quality fashion responsibly. Our aim is not only to respond to our customers' needs with regard to style and price, but to do so while complying with the most exacting environmental and health and safety standards, all grounded on respect and promotion of human rights.

At Inditex we endeavour to resolutely and collaboratively promote the transformation of the sector, with a particular focus on transforming our supply chain.

In keeping with this vision, we **manage our supply chain responsibly**, applying strict policies and procedures, mainly in order to:

- / Ensure decent working conditions for all the workers of suppliers and manufacturers that are a part of our supply chain.
- / Minimise the impacts of our activity, in keeping with our commitment to respect and protect the environment.

Our supply chain has a global presence, although a large number of the factories where our articles are produced are located in **markets close to our Arteixo headquarters**, such as Spain, Portugal, Morocco, or Türkiye. This enables



us to adapt our commercial offer to any change of trend that emerges, adjusting the number of garments to actual demand.

At the same time, we continue to innovate and use **more environmentally-friendly materials** and develop more efficient production processes.

Moreover, the **constant collaboration and dialogue** with our stakeholders are requisite for us to address the challenges posed by having a global supply chain. We work with our suppliers, to whom we provide continuous training and support so that they can meet our standards and requirements, and

with the rest of stakeholders, with whom we form partnerships to foster sustainability in the sector.

Inditex's goal is to ensure that this culture not only leads to improvements in the supply chain, but that it also **drives the sustainable transformation of the textile industry**, helping to achieve the United Nations Sustainable Development Goals (SDGs) and compliance with the Paris Agreement.



2. Governance

The **commitment to sustainability** extends to all levels of the Inditex Group, starting with the governing bodies and permeating the entire organisation, based on a solid system of governance. This necessitates a responsible management of our supply chain, applying strict policies and procedures to tackle social and environmental challenges in all the supply countries.

The **Sustainability Committee** is the body in charge of advising the Board of Directors and supervising and monitoring sustainability proposals in the social, environmental and health and safety of the product fields. It is also responsible for fostering the commitment to the Sustainable Development Goals and relations with stakeholders in this regard. The **Board of Directors** is, in turn, the body responsible for approving the Group's sustainability strategy.

The **Audit and Compliance Committee**—as the body responsible for monitoring and overseeing the effectiveness of the internal risk control and management systems—is entrusted with monitoring and assessing the risks arising from the Group's actions in relation to the Sustainability Policy.

The members of the Sustainability Committee are also members of the Audit and Compliance Committee. This overlapping presence of directors and the report that the chairwoman of the Sustainability Committee presents at the meetings of the Board regarding the main issues discussed at their respective meetings ensure that the most relevant social and environmental sustainability issues are taken into consideration in the deliberations of the Audit and Compliance Committee.

Furthermore, the **Ethics Committee** is the internal body reporting to the Board, through the Audit and Compliance Committee, which ensures compliance with the rules of conduct and specifically with the Code of Conduct and Responsible Practices—which applies globally to the Group's entire workforce—and the Code of Conduct for Manufacturers and Suppliers.

The Ethics Committee is also responsible for managing the Ethics Line. This is a strictly confidential channel through which

Main policies that guarantee integration of sustainability in relation with our supply chain

- / Sustainability Policy
- / Policy on Human Rights
- / Code of Conduct for Manufacturers and Suppliers
- / Product Health and Safety Standards
- / Green to Wear (GtW) environmental standard
- / Strategy on social management of the supply chain: Workers at the Centre
- / Global Water Management Strategy, Global Energy Strategy, and Biodiversity Strategy

the employees of the Group, manufacturers, suppliers or third parties with a direct relationship and legitimate commercial or professional interest may communicate queries and/or doubts about the interpretation or application of the internal rules of conduct, and any breaches of those rules by employees, manufacturers, suppliers or third parties with whom Inditex has a direct labour, commercial or professional relationship.

One of the members of the Ethics Committee is the **Chief Sustainability Officer**, who is responsible for defining the Group's sustainability strategy and reviewing it and the business and investment plans in this sphere. The CSO also **serves on the Executive Committee** and liaises directly with the various corporate and business areas responsible for executing the sustainability strategy and proposals.

Furthermore, we have **sustainability teams** in the main production markets, keeping us in direct contact with local suppliers and stakeholders, so as to understand their reality and the challenges they face on the ground.

Lastly, since 2002 the Company has benefited from an external advisory body in connection with sustainability, in the form of

a **Social Advisory Board** aimed at institutionalising dialogue with key stakeholders in civil society where we develop our business model.

This governance system is based on a number of **policies, standards and strategies** that guide our activities and our decision making, and that lay the groundwork to ensure that sustainability is integrated at every stage of our value chain.

All product manufacturers and suppliers wishing to form part of the Inditex supply chain are required to undertake to comply with the **Code of Conduct for Manufacturers and Suppliers**, as well as to pass audits verifying such compliance. Accordingly, we have undertaken to provide the necessary resources for manufacturers and suppliers to understand all the requirements of this Code and to pledge to adhere to it. The breach of any of these requirements may entail the termination of the business relationship with the supplier and/or factory.

The commitment to sustainability by the governing bodies and the entire Company is crystallised in the definition of ambitious goals and specific targets, linking the variable remuneration of different areas within the Group to sustainability objectives.





3. Culture of collaboration and transparency, the basis for supply chain transformation

Stakeholder involvement and engagement is one of the cornerstones of Inditex's supply chain management strategy.

Having a supply chain that comprises more than three million people, at Inditex we consider constant collaboration and dialogue with our suppliers to be a pre-requisite of our management model for the benefit of all. Our culture of collaboration is based on a **continuous process of supporting and accompanying** our suppliers: providing them with adequate training, helping them to implement our standards and requirements, and analysing with them the areas for improvement, among other actions.

We are mindful that, only by understanding, on the ground, the different realities of the people who make our products, and by having a close relationship with them, can this collaboration be really effective. This is the only way we can achieve our goal:

Developing a strategy aimed not only at having a positive impact on Inditex's supply chain, but also a transformational role in the industry.

And in this ambitious initiative our **supplier clusters** play a key role, functioning as spaces for dialogue and cooperation with the main actors in the sector, such as trade unions, employer associations, administrations and multiple NGOs, among others. At present, Inditex has twelve clusters in Spain, Portugal, Morocco, Türkiye, Brazil, Argentina, India, Pakistan, Bangladesh, China, Cambodia and Vietnam, manufacturing areas where almost all of our production is concentrated.

The purpose of these clusters is to foster a sustainable production environment in a strategic geographic area and within a framework of compliance with basic human and labour rights. They are made up of local professionals with extensive experience in the field of sustainability, as well

as having other skills, who focus on providing support and advice to our suppliers in line with their specific needs.

Moreover, being aware of the **importance of partnerships** to address the global challenges facing the industry, at Inditex we take an open and collaborative approach with a range of bodies and we actively participate in global initiatives as the driving force for transformation, with the aim that the sector should adopt widespread sustainable practices.

One of our most significant alliances is with the international trade union federation **IndustriALL Global Union**, with which Inditex signed a Global Framework Agreement in 2007 that has been periodically renewed since then. This Framework Agreement is one of our most valuable tools for promoting worker participation, the respect for freedom of association and collective bargaining.

We also collaborate with international organisations such as the **International Labour Organization (ILO)**, the United Nations Global Compact or Ethical Trading Initiative.

Lastly, we highlight the importance of our collaboration with other brands through various initiatives, such as **ACT** (Action, Collaboration, Transformation), which works to achieve living wages in the supply chain through responsible purchasing practices and collective bargaining.

Social & Labor Convergence Program

Inditex is a member and supporter of the *Social & Labor Convergence Program* (SLCP), in which we work to implement the first framework of industry-wide consensus to assess the social and labour conditions of workers at suppliers and manufacturers. The process consists of a self-assessment performed by the factory itself, which is verified by a third party. The resulting information is shared among the various stakeholders. The main goals of this initiative are:

- / To strengthen suppliers' awareness of their responsibility to comply with international human rights and labour standards.
- / To create an efficient, scalable and sustainable solution to prevent the various stakeholder groups from each performing their own social audits.
- / To save time and resources which can be redirected into fostering improvements.

Leather Working Group

We have been members of *Leather Working Group* (LWG) since 2012. This is an international non-profit organisation committed to driving best practices and positive social and environmental change for responsible leather production, with more than 1,800 members among brands, manufacturers, chemical suppliers, and associations across the leather industry. LWG is a standard-bearer in the leather industry. Its goal is to guarantee the responsible supply of leather to the industry and consumers. The LWG standard includes environmental best practices for the industry and drives continuous improvement. Consequently, at Inditex we encourage our leather suppliers to join the LWG in all its categories.

Main partnerships in the sphere of the supply chain

Impact on people



Protecting the environment and fighting against climate change



Transversal partnerships with social, environmental and governance impact



Transparency

Transparency, coupled with dialogue, are the two pillars that govern our relationship with stakeholders, as enshrined in the Group's Sustainability Policy.

In keeping with this commitment, we share with **IndustriALL Global Union** the complete and updated list of our manufacturers and their degree of compliance with our policies, under the umbrella of our Global Framework Agreement. We also provide this federation and its local affiliates access to all the factories in our supply chain.

Likewise, in those countries in which we take part in the Better Work programme, we provide the International Labour Organization with information about our supply chain in order

to work together to advise and improve factory conditions. In the case of cotton, we also have a public-private partnership with the ILO to protect labour rights in this raw material's supply chain.

We also share environmental information on our supply chain with various bodies, such as **Zero Discharge of Hazardous Chemicals (ZDHC)**, on whose ZDHC Gateway platform our suppliers publish the results of their wastewater analyses; or China's Institute of Public & Environmental Affairs (IPE), with whom we work actively in the environmental management of the supply chain in that country.

With regard to **NGOs**, we periodically—and also whenever so requested—send social, economic and environmental

information to organisations such as Textile Exchange, Fashion Revolution and Baptist World Aid, for the compilation of the various sustainability indices.

We also provide our **customers** with information about our products. And we respond to specific requests for information on sustainability, such as the origin of our products, the environmental properties of the materials they are made from, or the conditions of the workers involved in producing them.

Lastly, in line with **our commitment to help drive industry transformation**, we share sustainability information with other companies and industry stakeholders, within the framework of our participation in collaborative initiatives such as ACT, among others.





4. Strategic framework of supply chain management

At Inditex we are committed to fight against climate change, protecting the environment and respecting and promoting human rights. Our aim is not only to match the fashion we offer to our customers' needs, but also to do so while

minimising the impacts of our industry, ensuring decent conditions for suppliers and manufacturers' workers, and ultimately aiming to generate, alongside our stakeholders, a positive impact on our environment.



Pillars of the supply chain management model

/ **Ensuring the traceability** and thorough knowledge of our suppliers and manufacturers and materials used.

/ **Applying solid social and environmental sustainability standards and requirements** to our suppliers and manufacturers:

/ **Social sustainability:** we ensure decent working conditions, consistent with respect for the human and labour rights of the workers in the supply chain, as provided in our Code of Conduct for Manufacturers and Suppliers.

/ **Environmental sustainability:** we implement initiatives in connection with responsible water management, the use of renewable energy sources and the reduction of CO₂ emissions, notably including the application programme of our Green to Wear standard. Through this, we also reinforce compliance with our product health and safety standards.

/ This commitment to sustainability is also evidenced through our policies for fostering **responsible purchasing practices**.

/ **Verifying application of our standards and continuously improving our supply chain.**



5. Policies and standards

At Inditex we have an array of **policies and standards** to ensure that sustainability is integrated at every stage of our value chain. These include our Policy on Human Rights and our Product Health and Safety standards. With regard to the supply chain, the main standards are the Code of Conduct for Manufacturers and Suppliers and the Green to Wear standard, which are further underpinned by fostering responsible purchasing practices.

Code of Conduct for Manufacturers and Suppliers

Our relations with suppliers and manufacturers are governed by the Code of Conduct for Manufacturers and Suppliers (hereinafter, the CCMS or Code of Conduct, available on our website), approved in 2001 by the Board of Directors and last updated in 2014.

Its **main purposes** are:

- / To provide **mandatory compliance standards** in matters of labour rights, product health and safety and environmental aspects.
- / To define **minimum standards of ethical behaviour** that must be observed by all of the manufacturers and suppliers throughout the supply chain, in accordance with the Group's corporate culture, firmly grounded on respect for human rights and sustainability.

To also ensure that it is always fully aligned with best practices, Inditex has envisioned the Code of Conduct as a dynamic document subject to constant review so as to ensure it remains valid. Its conceptual framework is based on the Organisation for Economic Cooperation and Development (OECD) principles, the Ethical Trading Initiative's Base Code, the United Nations Global Compact principles and, among others, the following ILO conventions: 1, 14, 26, 29, 79, 87, 98, 100, 105, 111, 131, 135, 138, 142, 155, 164 and 182.

All manufacturers and suppliers wishing to form part of the Inditex supply chain, regardless of the tier they belong to, are bound by the Code of Conduct, as well as having to pass audits verifying their compliance with it. The breach of any of the

these requirements may entail the termination of the business relationship with the supplier and/or factory.

At the same time, at Inditex we have undertaken to provide the necessary resources for manufacturers and suppliers to know and understand the Code of Conduct and to pledge to adhere to it.

Contents of the Code of Conduct for Manufacturers and Suppliers

- / No forced labour
- / No child labour
- / No discrimination
- / Respect for freedom of association and collective bargaining
- / No harsh or inhumane treatment
- / Safety and hygienic working conditions
- / Wages are paid
- / Working hours are not excessive
- / Regular employment
- / Traceability of production
- / Health and Safety of products
- / Environmental awareness
- / Confidentiality of information
- / Code implementation

Green to Wear

Committed to fighting climate change and reducing the pressure on natural resources, at Inditex we have our own Green to Wear standard (also available on our website), which applies mainly to the suppliers and factories in our supply chain who carry out wet processes.

Contents of the Green to Wear standard

- / Compliance
- / Emission Control
- / Consumption
- / Water saving
- / Energy efficiency
- / Wastewater
- / Solid waste
- / Permanganate for denim
- / DMF (dimethylformamide) for polyurethane (PU/ synthetic leather)
- / Chemical Management
- / Manufacturing requirements
- / Sustainability management
- / Chromium VI (hexavalent chromium) prevention

Its **main purposes** are:

- / To minimise the environmental impact of the factories within its scope, and
- / To improve products' health and safety aspects, while promoting best practices.

Thus, Green to Wear includes indicators that gauge the sustainable and efficient management of raw materials, chemical products, waste and wastewater, and focuses on using the most advanced technologies to properly manage water and reduce its consumption.

This standard is also a fundamental part of our strategy to manage chemicals in production, together with our programme The List, by Inditex, which in turn is key in the selection of the chemicals used and in ensuring the absence of hazardous substances both in emissions into the environment and in the product.

Broadly, Green to Wear and the use of environmental audits to verify its compliance, allow a comprehensive control of the facilities carrying out wet processes in the supply chain. By applying this standard throughout the supply chain, together with the development of The List, by Inditex in the chemical industry that manufactures dyes, pigments and ancillary chemicals, we also aim to meet the objectives linked to Greenpeace's Clean Factory Approach and fulfil our commitments as a member of ZDHC.

Responsible purchasing practices

At Inditex we are aware of the **impact of purchasing practices on the labour conditions** of supply chain workers, especially on their wages. Aspects such as strategic planning, product development, price negotiation, payment terms and delivery lead times must be taken into account from the standpoint of responsible purchasing practices, with the aim of obtaining living wages and improved labour conditions, as well as the sustainable development in the clothing, textile and footwear sector.

In this regard, it is worth highlighting our involvement, since its launch, with **ACT (Action, Collaboration, Transformation)**, a pioneering initiative among global textile companies and IndustriALL Global Union to transform the clothing, textile and footwear industry and achieve a living wage for workers through collective bargaining at industry level linked to responsible purchasing practices.

As members of ACT, since 2018 we have agreed to the following **five commitments** in relation to purchasing practices:

- / **Train** all the employees directly related to the purchase in responsible sourcing and buying.

/ **Uphold** fair terms of payments.

/ **Better** planning and forecasting.

/ **Identify** a product's labour component.

/ **Implement** a responsible exit strategy when the decision is made to stop working with a supplier.

We work internally on each of these commitments by training buyers, developing tools and materials to support the purchasing process, and through continuous collaboration and dialogue with suppliers.





6. Traceability of the supply chain

6.1. Traceability strategy /

6.2. Traceability management system / 6.3. Assessment systems

6.1. Traceability strategy

At Inditex, we see traceability as **our ability to identify and trace the history, application, location and distribution of products, parts and materials**, in keeping with Recommendation No. 46 of the United Nations Economic Commission for Europe¹ (UNECE), issued in July 2021, concerning the implementation of a global approach to traceability that responds to the increasing demand for policies and legislative action to foster responsible business conduct in global value chains. To carry out this ambitious task, we have **traceability management and assessment systems**.

All the manufacturers and suppliers across our supply chain, regardless of the tier they belong to, are subject to our sustainability standards and requirements and are supervised to ensure these standards and requirements are properly met, in respect of both the products and the facilities where they are made. Accordingly, **our traceability work applies to our entire supply chain**.

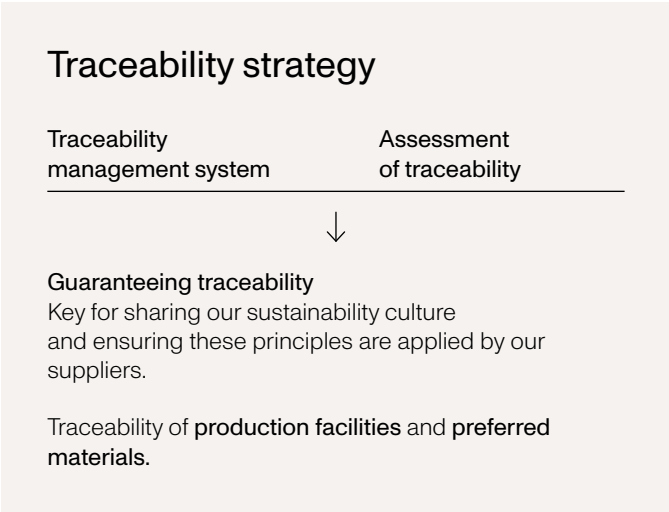
We have collaborated with the UNECE project to enhance the traceability of the textile and footwear sector value chain since its inception. And in 2021 we supported its launch by committing to evolving our traceability management to a new level, a commitment we defined in the call to action submitted to UNECE.

Likewise, in 2022 we went a step further in the responsible management of our entire supply chain by introducing **new traceability requirements** that increase the level of detail of the minimum provisions for our suppliers, already included in the Code of Conduct. Thus, these requirements state that our suppliers must:

¹ Recommendation No. 46 of the United Nations Economic Commission for Europe (UNECE): Enhancing traceability and transparency of sustainable value chains in the garment and footwear sector.

- / Know their supply chain and work exclusively with manufacturers and intermediaries previously assessed and authorised by Inditex and which comply with all our sustainability standards.
- / Report on all the facilities and intermediaries involved in each of the production processes, from the fibre or yarn to the final garment for each order, including both their own facilities and those contracted and managed by themselves or by third parties.
- / Provide proof of the use of preferred raw materials by means of documentation proving their origin, as well as certifications of the facilities if applicable. Achieving full traceability of our entire supply chain—including the production of raw materials—is one of the challenges facing our industry.

Within the framework of our supplier relations, which are grounded on a continuous process of support, assessment and improvement, to ensure that they understand and properly apply the traceability requirements, we provide **training** in various countries.



6.2. Traceability management system

Inditex's traceability management system is based on:

- / Requiring each supplier to know and share with us all the data of their own supply chain in the traceability management system. Factories registered in the system must pass the relevant filters to be approved and authorised. The management system itself includes social, environmental and product health and safety information for each of the facilities.
- / Requiring suppliers to inform us, at all times, of the factories that are involved in making our products. For every order received, suppliers must designate the participating factories, detailing units and processes. Each supplier is responsible for the factories they use and must work with Inditex to ensure compliance with our sustainability standards, with any factories that fail to comply being excluded from the manufacture of our products. They must digitalise the information using an in-house developed traceability management system, which has evolved to facilitate its use by stakeholders (both internal teams and suppliers), as well as to broaden the scope of the information compiled, with a particular emphasis on raw materials traceability.

6.3. Assessment systems

At Inditex, we assess compliance with our traceability requirements by means of different types of control mechanisms:

- / **Assignment control:** to verify that the supply chain is declared by the established deadline.
- / **Traceability audits:** to verify that the information submitted regarding the supply chain of orders is truthful and accurate. This involves making unannounced visits to the facilities, which must allow auditors to have access, provide them with the documentation they request and prove that they have produced the units the supplier has designated

to them in the Traceability tool. If assignment errors are found, the supplier must prove where the production took place and update the information in the tool.

Since September 2022, all audits are conducted through the *In.Trace* application, which gives auditors access to all the information linked to productions.

/ **Review of certificates:** aimed at verifying the validity of the certificates of the various raw materials used in our products, and checking that they are submitted by the deadline.

Any non-compliances detected in these controls are classified in accordance with their severity, and are used, along with any recurrences thereof, as the basis for ranking traceability.

Firstly, suppliers are ranked on the basis of each of the controls performed, considering any non-compliances detected over a six-month period. The supplier's traceability will be ranked according to the worst score across all three controls:

/ **APPROVED:** the supplier controls the traceability of its production and can therefore continue to form part of the Inditex supply chain.

/ **UNDER MONITORING:** the level of compliance with traceability requirements is not adequate for Inditex. If suppliers wish to maintain their commercial relationship with Inditex, they must adhere to an improvement programme and successfully pass it.

/ **NOT APPROVED:** the supplier does not control the traceability of its productions and, therefore, is not suitable to work with Inditex; it is blocked and cannot be used for our productions.

Accordingly, rankings of UNDER MONITORING and NOT APPROVED imply consequences for suppliers:

/ **UNDER MONITORING:**

- Traceability training.
- Implementation of a plan to improve supply chain control.
- Costing the traceability audits proposed by Inditex.

/ **NOT APPROVED:**

- Blocked from producing products for Inditex. The duration of the block will depend on whether the non-compliance is repeated, and the minimum period is of three months.

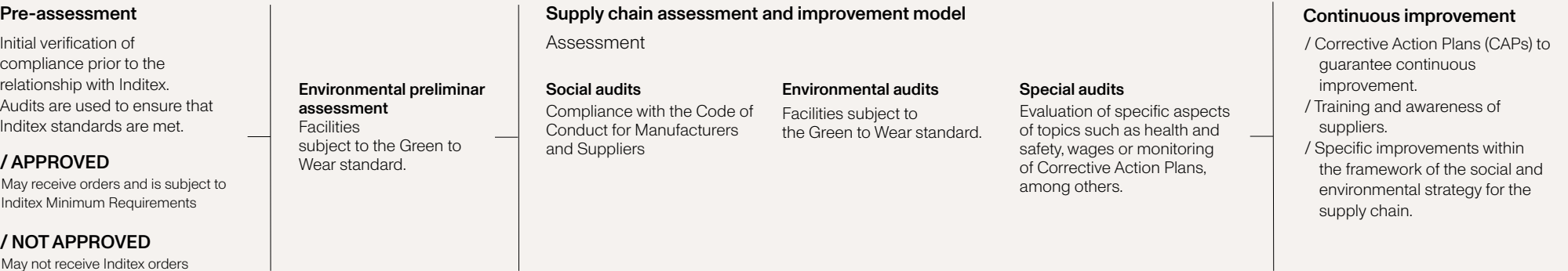




7. Supply chain assessment

7.1. Pre-assessment / 7.2 Environmental preliminar assessment /
7.3. Social audits / 7.4. Environmental audits /
7.5. Special audits

Supply chain assessment



7.1. Pre-assessment

At Inditex, we ensure that only those suppliers and manufacturers that meet our sustainability standards and comply with our Code of Conduct form a part of our supply chain. To achieve this, **even before they commence commercial relations with us**, we carry out an initial verification of compliance with our requirements through pre-assessment audits.

These audits may be carried out by internal or external auditors, but are always unannounced and include a visit to their facilities.

If a potential supplier or manufacturer is ranked as approved after this audit, they can receive orders from the Inditex buying teams and are subject to the standards provided in the *Inditex Minimum Requirements* document, which includes the mandatory social, environmental and product health and safety requirements.



7.2. Environmental preliminar assessment

In order to continue fostering environmental best practices in our supply chain, we launched the environmental preliminar assessments in October 2022. This new type of audit involves a remote assessment carried out by external auditors, which is performed on new facilities in our supply chain that are subject to the Green to Wear standard once they have passed the pre-assessment and prior to the environmental audits.

As a result of the audit, the facilities are classified as being approved or not approved. Those classified as not approved are blocked and cannot receive orders from Inditex.

7.3. Social audits

Once the pre-assessment has been approved, social audits are carried out periodically and regularly at each supplier and factory in our supply chain to ensure that the fundamental rights of the workers are upheld, as set forth in our Code of Conduct, which is binding upon all companies we work with.

These audits may be carried out by either internal or external auditors. They are always conducted without previously announcing their specific date, so as to assess aspects such as wages, working hours or health and safety conditions, among others.

Based on its results, each social audit triggers the instant application of a **Corrective Action Plan** (CAP) that includes measures that the supplier must apply to improve its degree of compliance with the Code of Conduct, with more or less stringent implementation periods depending on the non-compliances detected.

Our social audit methodology was designed in 2007 in partnership with the former International Textile, Garment and Leather Worker’s Federation (currently integrated in IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics of Cambridge University. It has been updated several times and primarily includes the following measures:

/ **Initial meeting** with management.

/ **Review of documentation.**

/ **Review** of the facilities.

/ **Interviews with workers:** the auditors may speak informally to workers either on a one-to-one basis at their posts or during their breaks, but they must always conduct interviews in a setting in which workers feel able to speak openly and honestly.

Neither the managers of the facilities nor any supervisors are allowed to be present during the interviews with workers, and all necessary measures must be taken to preserve workers’ anonymity. The various kinds of interviews that are carried out are as follows:

/ **Individual, confidential and anonymous interviews with workers:** conducted in all social audits. A representative number of workers in proportion to the size of the workforce must be interviewed.

/ **Group interviews** (optional): groups must comprise persons belonging to the same work area and, if topics such as harassment or discrimination are being discussed, priority is given to speaking to groups comprising workers of the same gender or group.

/ **Interviews outside the factory** (optional): these must be carried out in a location as close as possible to the factory, where workers feel comfortable sharing their views about working conditions.

When there is a trade union present at the workplace, the auditor must interview its representatives. If there are no trade unions, other bodies representing workers, where they exist, shall be interviewed.

/ **Closing meeting** to discuss the main findings and sign the audit report.

Based on the social audits, suppliers and manufacturers are rated in accordance with their degree of compliance with the Code of Conduct:

Classification	Audit results
A	Complies with the CCMS
B	Does not comply with some non-relevant aspect of the CCMS
C	Does not comply with some sensitive, but inconclusive aspect of the CCMS
Subject to PAC	Breaches of the CCMS triggering the immediate implementation of a corrective action plan
PR	Undergoing an auditing process

In addition to our own methodology, verifications are also carried out following the methodology of the **Social & Labour Convergence Program (SLCP) initiative**, of which Inditex has been a member since its inception. This initiative aims to iron out audit fatigue in global supply chains by replacing the need for brand-specific audits. The process consists of a self-assessment performed by the factory itself, which is verified by a third party authorised by SLCP. This verification is then shared among the various stakeholders.

7.4. Environmental audits

Compliance with our Green to Wear standard, which applies to facilities that mainly carry out wet processes, is regularly verified through environmental audits. As with social audits, based on its results, every environmental audit triggers the application of a personalised **Corrective Action Plan (CAP)**, including the measures that the supplier must apply to improve its degree of compliance, with more or less stringent implementation periods depending on the non-compliances detected.

This kind of audit is performed by independent external auditors during pre-announced visits in a process comprising the following stages:

- / **Introduction** to the process **and identification** of the person in charge of the audit on the part of the factory.
 - / **Review of documentation.**
 - / **Liaison with the representatives** of the various areas affected.
 - / **Review of the facilities:** review of structures, processes, flowmeters, laboratories, purifiers, inventory of chemicals.
 - / **Closing meeting** to discuss the main findings and sign the audit report.
- If the factory performs wet processes, water samples are also collected for analysis. Auditors will indicate a time window for sample collection, but will not announce a specific date.
- In addition, during the environmental audit the auditor reviews and analyses:
- / Documentation on various aspects such as consumptions at the facility, control of emissions or the inventory of chemical products.
 - / Aspects linked to the activity carried out, such as, for example, relating to energy efficiency, savings in water consumption or the use of chemicals.
 - / Waste treatment, in regard to both wastewater and solid waste.
 - / The presence on site of technology or machinery considered as Best Available Technique (BAT); and, if present, the auditor will record information about it.
 - / Aspects relating to transparency and awareness.



Based on the results of these audits, we award the following ratings:

Clasificación	Audit results
A	Complies with the Green to Wear standard
B	Does not comply with some non-relevant aspect of the Green to Wear standard
C	Does not comply with some sensitive, but inconclusive aspect of the Green to Wear standard
Subject to PAC	Breaches of the Green to Wear standard triggering the immediate implementation of a corrective action plan
PR	Undergoing an auditing process

Furthermore, we encourage our suppliers to share their water analyses with the rest of our industry through the ZDHC Gateway platform, as part of our collaboration with that organisation. And we encourage our leather suppliers to join the Leather Working Group, which is the organisation responsible for the leading environmental certification for the leather manufacturing industry.

7.5. Special audits

To assess compliance with specific aspects, we carry out special audits, that can be performed by external or internal auditors and whose methodology depends on the topic at hand during the visit. These are mainly related to the monitoring of compliance with the Code of Conduct, the implementation of the Workers at the Centre programmes and the verification of the application of the Inditex audit methodology. Examples of specific audits are structural technical assessments of the facilities, verification of workers' labour conditions solely from a health and safety perspective, or follow-up visits to monitor Corrective Action Plans that are developed when a breach of our codes and/or standards is detected.



8. Continuous improvement

At Inditex, we believe in continuous improvement as a **key to advancing towards our goals and strategies**. Management of the supply chain is also consistent with this philosophy. One of our main tools for improving the performance of suppliers and manufacturers are the **Corrective Action Plans**, which are developed when non-compliances are detected in social and environmental audits, not only to establish measures to mitigate or remedy them, but also to prevent them from occurring in the future.

Developing a corrective action plan

Involvement throughout the process of sales teams, trade unions, NGOs or other organisations where necessary

Start of the CAP

1. Launch

- / Analysis of points of improvement
- / Discussing the plan and setting out correction dates

2. Monitoring

- / Request/receipt/verification of evidence
- / Technical support
- / Desk review of the improvements and follow-up with the supplier and manufacturer

Control point or competence visit

3. Monitoring audit

Close of the CAP

- / Blockage
- / New rating

The precise duration of a Corrective Action Plan is determined by the non-compliances found during the audit and the period deemed necessary to address them. In the most sensitive cases—classified as being ‘Subject to Corrective Action Plan’—the plan lasts approximately six months, during which Inditex’s Sustainability teams and buying teams offer constant support to suppliers and manufacturers through two channels:

- / Providing them with **advice and expertise** in regard to the best way to implement the corrective measures. In this regard, they may also have the support of other stakeholders, such as NGOs, trade unions or other civil society organisations.
- / **Continuously monitoring the CAP**, including competence visits or control points, so as to act with the supplier before the established deadline if progress is not fast enough.

Specifically, CAPs comprise the following stages:

- / **Initial meeting:** at this meeting, any non-compliances detected are analysed, the action plan proposed by the supplier is discussed, and deadlines are established for the various stages of the process.
- / **Monitoring:** before conducting the competence visit or control point, a double check is carried out with the supplier or factory (in the first and second months) to ascertain whether the factory has made any improvement. The supplier action plan must be completed:
 - / If non-compliances have been resolved: the improvement must be demonstrated with a clear explanation and photographic evidence or documentation.
 - / If the non-compliances have not been resolved: a justification of the reasons should be included and, if there are no reasons or if there is no plan to resolve the non-compliances, the factory will be considered to be blocked.

- / **Competence visit/control point:** improvements (or lack thereof) by the factory are verified, and new findings are checked. By default, this visit is carried out physically and unannounced in the case of social CAPs, with some exceptions if the situation so requires or if the non-compliances found in the first audit can be easily reviewed electronically. In the case of environmental CAPs, these control points are always performed electronically.
- / **Final monitoring:** before the follow-up audit is carried out, the auditor will check with the supplier that all improvements have been made. The supplier’s action plan must be completed with the submission of a clear explanation and photographic evidence or documentation to prove it.
- / **End of CAP:** a follow-up audit is carried out to assess whether the non-compliances have been remedied and to determine the factory’s new classification.

If critical non-compliances are verified again during this audit, the factory or supplier will be blocked and will not be able to continue working for Inditex. This evidences our zero tolerance policy with those who do not show a willingness to improve and instead persist in their disregard for our Code of Conduct and our requirements.

Likewise, as members of ACT, we are committed to carrying out a responsible supplier exit strategy. This means that, in the event that – for duly-grounded reasons – we decide to cease operations with a supplier, the relationship will be terminated in a committed manner. In doing so, we carry out a prior accompaniment and monitoring task, in order to attempt to curb the impact this may involve.

Supporting and training our suppliers

Blocking a supplier or factory is the last resort. Therefore, support from Inditex is not solely limited to implementing CAPs when non-compliances have been demonstrated, but it also includes different actions to prevent them from occurring, proactively seeking the ongoing improvement of the supply chain.

Collaboration programme for environmental improvement

In 2022, an action plan was launched to reduce the environmental impact of the Group's key suppliers' facilities, both in dry processes (spinning and weaving) and wet processes (dyeing, washing and printing, among others). This plan puts special focus on water and energy consumption, and waste and chemicals management:

- / Reduction of water consumption to achieve the *Care for Water* programme's 'Excellent' level.
- / Quality of wastewater discharges in line with the foundational level of the discharge standard developed by ZDHC.
- / Use of 100% ZDHC level 3 certified chemicals
- / Promotion of the purchase of electricity from 100% renewable sources.
- / Reduction of thermal energy consumption in relation to the stationary thermal sources.

The methodology of this programme is based on the drawing up of an action plan by the installation. This plan is verified by a third party and a energy consumption baseline or starting point is established prior to the launch of the plan. Subsequently, a quarterly monitoring of the consumption evolution against this baseline is carried out.

① For more information on this programme, please see the Inditex Group's Statement on Non-Financial Information, available on our website.

Our goal is to **enter into an ongoing partnership with our suppliers**, and cooperate with them to improve their supply chains and to champion the human and labour rights of their workers. Consequently, in addition to Corrective Action Plans, we have additional plans and projects for, such as the Environmental Improvement Plans or the programmes developed as part of our *Workers at the Centre* strategy.

Either through our programmes or in collaboration with partner organisations, we train our suppliers on issues such as living wages, health and safety, women's empowerment or social protection, ensuring that they understand our Code of Conduct and the procedures and requirements that apply to all those who work with us. We keep in constant communication with them to share our improvement goals and to raise awareness that **both upholding and championing the rights and well-being of workers, as well as protecting the**

environment, ensure the sustainability of their own supply chains.

Evidence of the effect of our collaboration on the continuous improvement of our suppliers' factories and facilities is that the percentage of A or B-classified suppliers (the highest degrees of compliance within Inditex's own methodology) is higher in those that have formed part of our supply chain for longer and, therefore, those with whom we have spent a longer time implementing improvement programmes and initiatives.

Workers at the Centre

Our Workers at the Centre strategy for the the social sustainability of the supply chain was defined on the basis of an ongoing analysis and assessment of our supply chain, and following a human rights due diligence process developed in partnership with Shift, a leader in the implementation of the UN Guiding Principles on Business and Human Rights.

Supply chain workers are the main focus. We want the strategy to fulfil a dual purpose:

- / To respond to the needs of workers, their families and communities, and
- / To promote decent work and sustainable production environments.

Within the framework of this strategy, activities, projects and partnerships are developed to ensure that our suppliers and manufacturers conform to the responsible values and practices that define the Group and that they promote the improvement of social and labour conditions, in continuous collaboration and dialogue with organizations, institutions and other relevant stakeholders.

The strategy comprises various Priority Impact Areas which are identified through the due diligence process.

Each of them has a general goal, as well as other more specific goals that are materialised through action lines, activities, projects and partnerships.

① For more information on this strategy, please see the Workers at the Centre report, available on our website.

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