

Industria de Diseño Textil SA (Inditex)

TICKER
 MCE:ITX

MARKET CAPITALIZATION
 US\$94 billion

HEADQUARTERS
 Spain

DISCLOSURES
UK Modern Slavery Act: Yes

California Transparency in Supply Chains Act: Yes

TARGETS

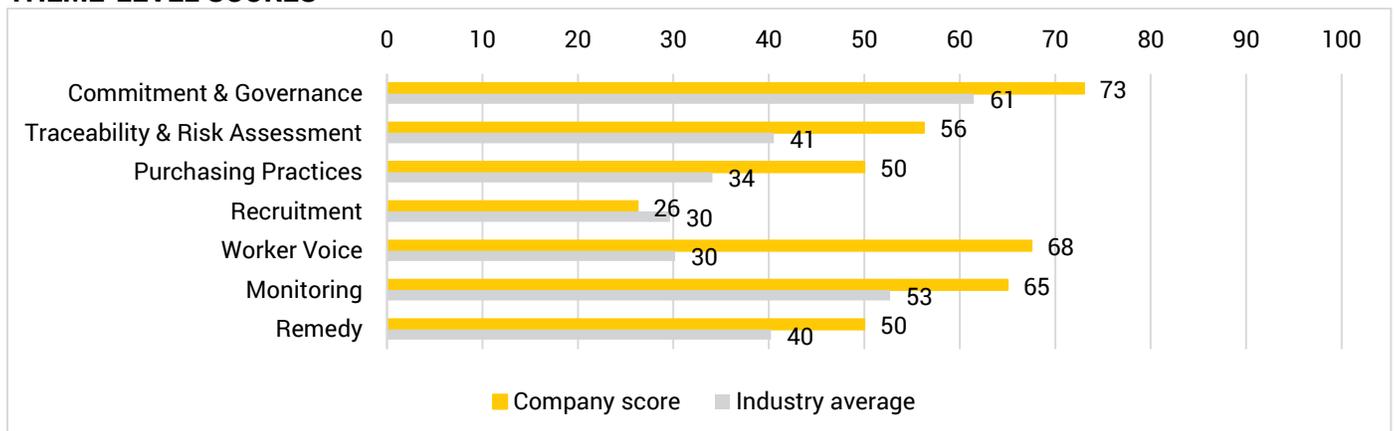
None

OVERALL RANKING
9 out of 37

(2018 Rank: 5 out of 43)

OVERALL SCORE
55 out of 100
SUMMARY

Industria de Diseño Textil SA (Inditex), the largest apparel retailer in the world,¹ ranks 9th out of 37 companies, disclosing more information on its forced labor policies and practices than its peers on all themes except Recruitment. Since 2018, it has improved by disclosing an overview of its corrective action plan and engaging in a public-private partnership with the ILO. However, as it has not improved across themes, its rank decreased by four places. In relation to how it addresses the risks of alleged Uyghur forced labor, in its disclosure to KnowTheChain, the company referred to steps outlined in its “Zero Tolerance Towards Forced Labor” Statement, which however, as of March 2021, had been removed from its website.² The company notes that it has strengthened its engagement with stakeholders (including the Ethical Trading Initiative [ETI], the Better Cotton Initiative, and the ILO) and that it conducted an “internal investigation” to confirm that it does not have commercial relations with any factory in Xinjiang, but does not disclose steps to address the risks of alleged Uyghur forced labor across its supply chain tiers and raw materials. Inditex has an opportunity to improve on the themes of Traceability & Risk Assessment, Recruitment, and Remedy.

THEME-LEVEL SCORES


KEY DATA POINTS
SUPPLIER LIST

No

IMPROVEMENTS OF FREEDOM OF ASSOCIATION

No

HIGH-RISK RAW MATERIALS³

Cotton, viscose, wool, and others

DATA ON PURCHASING PRACTICES

Yes (One data point only)

REMEDY FOR SUPPLY CHAIN WORKERS

No

HIGH-RISK SOURCING COUNTRIES

Brazil, China, India, and others

LEADING PRACTICES

Responsible Raw Material Sourcing: Inditex states that it has a public-private partnership with the ILO focusing on protecting workers’ rights in cotton supply chains and that it has worked on promoting fundamental rights in India, Pakistan, China, and Mali. It reports that this has included training on fundamental rights for cotton production and harvesting communities.

Freedom of Association: Inditex states that it has signed Global Framework Agreements with IndustriALL and UNI Global Union, which apply to workers throughout its supply chains. It states that its agreement with IndustriALL includes educating workers on their rights, supporting the election of representatives, and organizing initiatives for workers, employers, and unions to support collective bargaining. It reports on the activities conducted with IndustriALL per country and discloses the number of its supply chain factories per continent that are covered by collective agreements.

NOTABLE FINDINGS

Stakeholder Engagement: Inditex states that it supports the NGO Mudem in Turkey through a framework agreement and that 70 remediation plans were launched with suppliers in 2019 to support refugees in becoming regularized workers. It discloses taking part in ETI’s Tamil Nadu Multi-Stakeholder Initiative and the Nalam program, which focus on labor rights in spinning mills in south India. It also discloses that it is part of the UN Global Compact Decent Work in Global Supply Chains platform, working to ensure decent working conditions and the eradication of forced labor.

Supplier Selection: Inditex discloses that it assesses potential suppliers against its supplier code of conduct before working with them, as well as the number of pre-assessment audits conducted in each continent in 2019 and the percentage approved per region (81% in total). It requires prior approval of the use of subcontractors by its suppliers and reports on outcomes, stating that in 2019, 247 non-compliances in relation to subcontracting were discovered.

Worker Engagement: Inditex states that it participates in the ETI’s Social Dialogue Program to “strengthen the structures in place for the representation of workers and employers in factories” and that it has provided training to worker participation committee members to improve social dialogue

skills. It reports that this program reaches 7,825 workers in three supply chain factories in Bangladesh. It also reports on working with the ETI to train workers on topics including labor rights and grievance mechanisms and collaborating with the ILO Garment Industry Project to strengthen cooperation between suppliers and worker representatives in Myanmar.

OPPORTUNITIES FOR IMPROVEMENT

Traceability & Risk Assessment: While Inditex states that it has disclosed its full supplier list to IndustriALL and that it verifies its suppliers' declarations on traceability, it is encouraged to publicly disclose at least the names and addresses of at least its first-tier suppliers, information on its below-first-tier suppliers, the countries from which it sources raw materials at high risk of forced labor, and disaggregated data points on its suppliers' workforce.

Recruitment: Inditex may consider incorporating the [Employer Pays Principle](#) into a formal policy and taking steps to ensure that recruitment-related fees are reimbursed to workers and providing evidence of the payment of such fees by suppliers. It is encouraged to ensure that migrant workers understand both the terms and conditions of their recruitment and employment and their rights and to offer evidence that the steps taken to ensure that the rights of workers in vulnerable conditions are respected result in positive outcomes.

Remedy: Inditex may consider establishing a process to ensure that remedy is provided to workers in its supply chains in cases of forced labor and disclosing details on this process, such as responsible parties, approval procedures, timeframes, and, crucially, engagement with affected stakeholders. To demonstrate to its stakeholders that it has an effective remedy process in place, it is encouraged to disclose several examples of remedy provided to its suppliers' workers.

ENGAGED WITH KNOWTHECHAIN⁴

Yes ([Provided Additional Disclosure](#)).

¹ BizVibe (12 March 2020), "[Top Clothing Retailers in the World in 2020. Clothing Retail Industry Analysis Factsheet.](#)"

² Quartz (15 March 2021), "[Under pressure in China, Zara deleted a statement about Xinjiang.](#)"

³ For further details on high-risk raw materials and sourcing countries, see [KnowTheChain's 2021 Apparel and Footwear Benchmark Report](#).

⁴ Research conducted through November 2020 or through February 2021, where companies provided additional disclosure or links. For more information, see the full dataset [here](#). For information on a company's positive and negative human rights impact, see the [Business & Human Rights Resource Centre website](#).