

Industria de Diseño Textil S.A.

TICKER
 BME:ITX

MARKET CAPITALIZATION
 US\$112 billion

HEADQUARTERS
 Spain

COMPLIANCE
UK Modern Slavery Act: [Yes](#)
California Transparency in Supply Chains Act: [Yes](#)
COMMITMENTS
[Yes](#)
OVERALL RANKING

5 out of 43

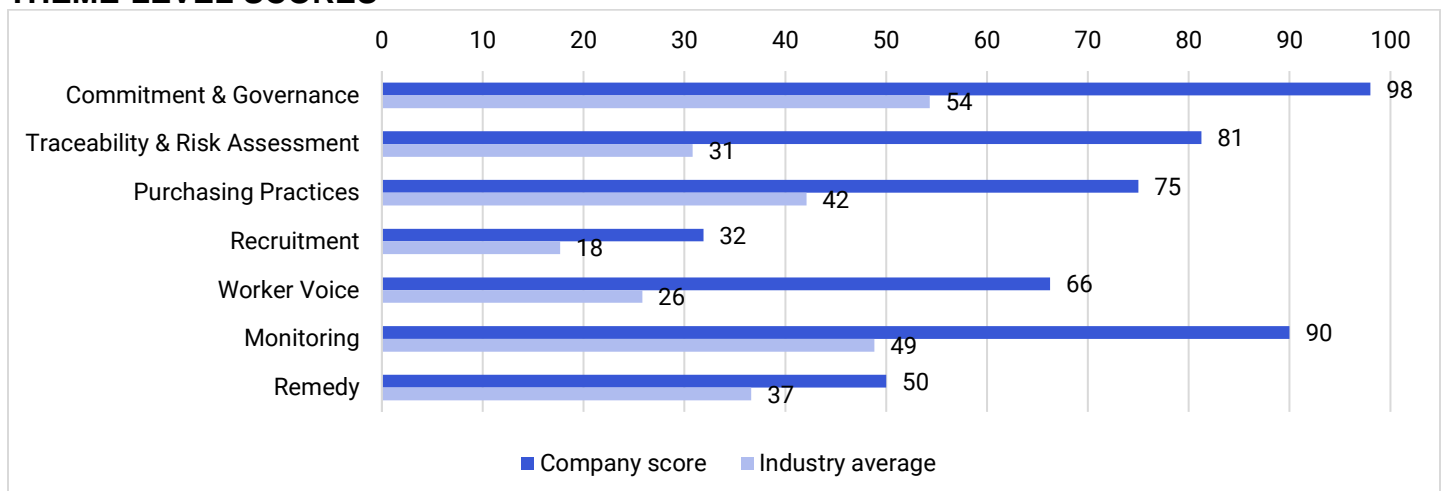
(2016: 6 out of 20)

OVERALL SCORE

70 out of 100

SUMMARY

Industria de Diseño Textil S.A. (Inditex), the second-largest global apparel retailer, ranks fifth out of 38 companies, disclosing more information on its forced labor policies and practices than its peers across all themes. Compared to 2016, the company improved its rank from sixth to fifth. Since 2016, the company has improved its performance and disclosure by undertaking a supply chain risk assessment, disclosing outcomes of its supplier selection and purchasing processes, training employment agencies and suppliers, engaging supply chain workers across sourcing countries, developing grievance mechanisms in different supplier countries, and providing an example of remedy. Additional steps the company could take to address forced labor risks in its supply chains include strengthening its disclosure and practices on the themes of Purchasing Practices, Recruitment, and Remedy.

THEME-LEVEL SCORES


LEADING PRACTICES

Risk Assessment: Inditex discloses that it conducted a risk assessment on its global supply chains. It states that this included engagement with stakeholders such as NGOs and the local workers of its sustainability teams in Spain, Portugal, Morocco, Turkey, India, Pakistan, China, Bangladesh, Vietnam, Cambodia, Argentina, and Brazil. It states that these teams engaged with local communities to evaluate risks, which included geographical and sociocultural factors such as gender, migrant labor, and young workers.

Purchasing Practices: Inditex states that its buyers use supplier audit ratings when deciding where to place orders. It discloses that, in 2016, suppliers with the highest ratings in its social audits accounted for 95% of its purchasing.

Supplier Selection: Inditex discloses that it conducts unannounced audits on potential suppliers. It notes that it conducted 2,252 pre-assessment audits in 2017 and that 79% of the potential suppliers assessed were approved for production. Additionally, the company requires suppliers to declare all facilities and processes they use to make each garment and to obtain written authorization before using subcontractors. Inditex discloses that it conducts traceability audits to assess the information provided by suppliers and to compare it with their production capacity and the time it takes them to complete orders. In 2017, Inditex completed 2,621 traceability audits and blacklisted nine suppliers for breach of traceability requirements.

NOTABLE FINDINGS

Stakeholder Engagement: Inditex discloses that it works with the local Turkish NGO Mudem to support Syrian refugees in Turkey with work permits, language courses, and document translation. It further has had a Global Framework Agreement in place with the global union federation IndustriALL since 2007, which includes forced labor as one of the partnership's areas of work. As part of this, the company works in dialogue forums or "clusters" with unions, NGOs, worker associations, governments, etc. to foster engagement with its suppliers and ensure compliance with fundamental labor rights. Such clusters exist in Spain, Portugal, Morocco, Turkey, India, Pakistan, Bangladesh, Vietnam, Cambodia, China, Brazil, and Argentina, and "encompass over 95% of [the company's] production chain and help ensure [the company's] social compliance and labour standards are applied locally." Inditex discloses that it has been a member of the Ethical Trading Initiative (ETI) since 2006 and, among other areas of work, actively participates in the ETI's Sumangali Bonded Labour Group. Inditex also discloses that it is a partner of the ILO's 8.7 Alliance, which "brings together governments, companies, workers' organizations and the society at large, among other relevant actors, to eradicate forced labor, modern slavery, human trafficking and child labor." It states that it is also a part of the UN Global Compact's Decent Work in the Global Supply Chains Platform, which it describes as "an alliance of companies and other agents which seeks to make progress by means of collective actions to ensure decent work and namely, eradicating forced labor."

Worker Voice: Inditex discloses that it engaged workers in different sourcing countries. It discloses that its LEAN project has been implemented at seven supplier factories in China and focuses on production management methodology, with the aim to improve working conditions and wages. It states that workers and management are involved at all stages: training, development, implementation, and monitoring. In 2017, the company added three factories in China to the program and measured results at six existing factories, which were "positive, with improvements on management systems that have had a positive impact on the working conditions of employees." Further, the company discloses that, in 2017, it engaged with a factory of 250 workers in Turkey where it raised awareness of gender discrimination and women's empowerment. It states that, as part of this project, it has carried out an analysis of possible causes of gender discrimination in the country, the findings of which will be used to improve working conditions for working women. The company also states that it has reached 4,290 workers at six factories in India through its Sakhi Gender Equality project, which seeks to identify and prevent situations of abuse or harassment towards female workers and migrant workers.

Grievance Mechanisms: Inditex's supplier code provides contact details for its Committee of Ethics, which can be contacted regarding breaches of its supplier code. The company has also set up a hotline for Spanish-speaking migrant workers in Brazil. Additionally, the company's Sowbhagyam project in India's Tamil Nadu state, which aims (among other things) to address abusive employment practices against women, has resulted in the development of 16 grievance mechanisms at the community level.

OPPORTUNITIES FOR IMPROVEMENT

Purchasing Practices: While the company requires its suppliers to sign its Minimum Requirements document, to enforce its expectations with its suppliers, the company may consider integrating its supply chain standards addressing forced labor and human trafficking into contracts with its suppliers.

Recruitment: The company may consider developing and disclosing a policy that requires direct employment in its supply chains and that requires employment recruitment agencies and, where relevant, employment agencies in its supply chains to uphold workers' fundamental rights and freedoms. The company is further encouraged to disclose information on the recruitment agencies used by its suppliers. In addition, the company may consider developing a formal policy which requires that workers in its supply chains are not charged fees during any recruitment-related process and that such fees be paid by the employer (Employer Pays Principle).

Remedy: The company may consider establishing a process to ensure that remedy is provided to workers in its supply chains in cases of human trafficking and forced labor and disclosing details on this process, such as timeframes and engagement with affected stakeholders, responsible parties, or approval procedures. Further, the company is encouraged to disclose a summary or an example of its corrective action process in practice.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

[Yes](#), including [information on the company's business model](#).