

Questions for garment brands re Syrian refugees in Turkey

Policy:

1. Does your company have a policy specifically prohibiting discrimination & exploitative practices against Syrian refugees? (If so please provide a link to this policy or provide it as an attachment). How is this policy communicated to suppliers in Turkey?

Inditex realised the necessity to take related measures in 2013 when the influences of Syrian refugees¹ as a humanitarian crisis started affecting the garment sector. Primarily, the approach of Inditex on Syrian workers without work permits was communicated to all suppliers during general supplier conference in 2013. It was clearly explained that all producers and suppliers shall be obliged to undertake that all of their employment practices comply with local applicable laws and Inditex Code of Conduct, for all workers including Syrian refugee. It was emphasised that a zero tolerance approach is followed on exploitation of and discrimination against Syrian refugees. Hence, Inditex's policy on this matter as an Ethical Trade Initiative (ETI) member, and as a member of the Turkey garments working group within the ETI, is as agreed in the ETI November 2014 Position Statement in which Inditex contributed actively in formation of such document that is attached to this document.

Turkish Government introduced "Temporary Protection Legislation"² in October 2014 which refers to an upcoming legislation which would detail access to job market and applying for work permits. Yet, in this unregulated influx of Syrian refugees in market, Inditex was in pursuit of finding a potential partner, a local NGO, to work together in case of any observed Syrian refugee in the supply chain. The aim was to create a remediation plan for these workers that belong to a vulnerable group who are mostly unable to obtain Turkish work permit due to lack of documentation but need to work illegally to make their living. As a result of due diligence, Inditex signed a partnership agreement with the sister organisation of "Association for Solidarity with Asylum Seekers and Migrants", an authorized partner of UNHCR, Refugee Support Center³ (RSC), in January 2015. Accordingly, Inditex being the only brand in Turkey having such agreement carries out remediation processes with the expertise of NGO on field.

Audits/risk assessment:

2. How many first tier Turkish suppliers does your company have?

Inditex defines first tier suppliers as the companies who receive orders directly from any of the Inditex brands. In this sense, during 2014, 158 Turkish suppliers were at this category (See page 166 of the 2014 Inditex Annual Report⁴).

1 Turkish authorities recognise Syrians as those "under temporary protection", not as "refugees" according to international law.

2 <http://www.resmigazete.gov.tr/eskiler/2014/10/20141022-15-1.pdf>

3 For more information on Refugee Support Center (Mülteci Destek Merkezi in Turkish):
<http://www.mudem.org/>

4 http://www.inditex.com/documents/10279/18789/Inditex_Annual_Report_2014_web.pdf/a8323597-3932-4357-9f36-6458f55ac099

3. How many have been audited since 1 Jan 2015? What percentage of audits have been unannounced?

In 2014 (latest year close) 1,247 audits were carried out in Turkey (See page 66 of the 2014 Inditex Annual Report). And since 1st Jan 2015, also more than 1.000. According to Inditex methodology, all audits are conducted unannounced.

4. Does your company carry out audits beyond the first tier? If so what percentage of second & third tier Turkish suppliers have been audited since 1 Jan 2015 and what percentage of these audits have been unannounced?

Inditex does not make any difference between tiers in the application of its compliance programme as per its traceability and sustainability approach. No matter which process or tier it is the factory Inditex develops its procedures in order to guarantee that complies with the Inditex Code of Conduct for Manufacturers and Suppliers⁵ (See pages 38 and 39 of the 2014 Inditex Annual Report).

In this sense, since 1 Jan 2015, around 1.000 audits (excluding follow-ups) were carried out in Turkish cluster at first and second tiers. According to Inditex methodology, all audits including follow-ups and surveillance audits are unannounced, initial audits have 2 weeks window period.

All new factories including main and non-main processes (including fabric manufacturers) are subjected to “pre-audit” which is a system that just allow working with Inditex those factories with necessary conditions according to the Code of Conduct to enter into Inditex supply chain before any production takes place.

5. Do the audit & monitoring teams have Arabic-speakers who have received special training tailored to the situation of Syrian refugees, and do they speak with the workers confidentially?

Inditex has created and started to use testing records/forms in Arabic, Kurdish with Arabic letters, Kurdish-Kourmanji, English and Turkish languages in 2013. All auditors; internal team and accredited third party auditors are provided with these to utilise during audits in the instances of Syrian refugees. Forms are filled by workers, in their own handwriting at a separate room with full confidentiality, under supervision of the auditor. At the same day of audit, forms are shared with Refugee Support Center then RSC professionals (including an Arabic/Kurdish speaking translator) meet with observed workers within 1-2 working days for detailed investigation on their working conditions (whether there is a discrimination, exploitative practices, any human rights violation against Syrian refugees), understand the condition of workers and find out possibilities for registration to work permits.

6. How does your company address the possibility of undeclared subcontracting in its supply chain?

Inditex has a specific point related with traceability in its Code of Conduct for External Manufacturers and Suppliers which establishes that “Manufacturers and suppliers shall not assign any work to third parties without the prior written authorization of Inditex. Those who

⁵ http://www.inditex.com/documents/10279/28230/Grupo_INDITEX_codigo-de-conducta-de-fabricantes-y-proveedores_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdcf4.

outsource any work shall be responsible for the enforcement of the Code by these third parties and their employees”.

As a result of that, all production units (no matter which tier and process) must be declared in an integrated system by all suppliers. This real-time system is accessible by Inditex Sustainability teams to ensure continuous monitoring of production traceability in detail. This also lies to random visits at both supplier’s own unit and at factories. Both internal and accredited third party auditors check production at each factory they go for audit or visit where information gathered on production is compared with the data entered in system. (See pages 38, 39, 44-46 of the 2014 Inditex Annual Report).

Also, Inditex Committee of Ethics ensure the enforcement of Inditex Code of Conduct. To this end, any notices given pursuant to the provisions of this Code, either reports of any breach or enquiries regarding the Code’s interpretation or application can be addressed directly to the Committee of Ethics (See pages 152 and 153 of the 2014 Inditex Annual Report).

In the instances of proven breach against the traceability policy, Inditex evaluates the situation and a decision is given on termination of business with supplier. This practice was communicated to all suppliers at the time of its implementation (See page 57 of the 2014 Inditex Annual Report).

7. Has your company identified supplier factories employing Syrian refugees in 2015? If the answer is yes please state how many factories, if possible.

There is a remediation processes established in Turkish cluster in case any situation occurs (See pages 66 and 67 of the 2014 Inditex Annual Report).

8. Has your company identified supplier factories employing Syrian child refugees in 2015? If the answer is yes please state how many factories, if possible.

See question 7.

Remediation:

9. When Syrian refugees are identified at a supplier factory, what process does your company expect the supplier to follow? In particular please state whether they remain in employment.

Where any violation observed such as Syrian refugee without working permit at a factory, “Remediation Plan” shall be developed and carried out. Inditex does not believe in “cut and run” policy as a way to solve problems or breaches against its Code of Conduct as it would create no value add for the workers involved and would remain the same situation at the factory level. For this reason, Inditex collaborates with a local NGO; Refugee Support Center on remediation process.

Supplier is responsible for all phases of remediation, and ensures the process run smoothly, take necessary steps to make sure the situation will not occur again. As explained above, at the same day of the audit, partner is provided with the testing records filled by workers. Following this, first meeting is arranged with workers and partner (including Arabic/Kurdish speaking translator) to carry out an investigation on actual working conditions such as remunerations, working hours, health and safety, and lodging (if any) is carried out by

partner to verify if there is any violation on human rights such as involuntary or forced labour or any abuse or discrimination.

Partner determines the optimum legalization process (work visa, etc.) for each case as a result of necessary assessments also present a remediation plan based on worker interviews. Remediation plan consists of:

- a) Education plan; refugee workers' rights and Turkish/English language course (according to needs analysis by NGO and based on the interviews with refugee workers)
- b) Monthly payments to workers for a determined period of time to support their income (shall not be less than agreed salary at workplace – over legal minimum wage)
- c) Registration process to work permit (depends on whether worker has valid documents for registration process such as passport)

During this period, workers do not continue working at the factory and at the end of remediation process in case it is not possible to get work permits for workers due to problems caused by legal status of Syrian refugees in Turkey (being unregistered, constraints arising out of laws and regulations of the Ministry of Labour) and lack of documentation, workers are provided a seniority pay and the relation between worker and partner is maintained until there is any regulation allowing for work permits for Syrian refugees. (According to Temporary Protection Regulation in 2014, a detailed regulation on work permit and access to job market of Syrian refugees is expected to enter in force in couple of months, which was also announced as such.)

- 10.** Does your company have a remediation plan that addresses instances of discrimination/abuse against Syrian refugees in its supply chain? If yes please provide details of the plan, how it is communicated to refugees, and examples of outcomes if available.

Yes, Inditex has a remediation plan that addresses the instances of discrimination/abuse against Syrian refugees in case it happens, which was covered in above point 9. For such cases, a partner NGO has specialists on the areas of psychology, health services and legal advices to provide support and guidance whenever necessary.

- 11.** Does your company work with any local NGOs or trade unions to provide remediation services to refugees?

Yes, Inditex collaborates with local NGO; Refugee Support Center as explained in detail under question 9.

- 12.** As Syrian refugees cannot receive social security benefits at this time, is your company taking steps to ameliorate the impact of this?

Temporary Protection Regulation which was put in force in October 2014, does not allow this practice on legal ground. However, Inditex's partner NGO provides all information that is necessary including the rights of Syrian refugees under Temporary Protection Regulation which states their right to access health and education services. This is also covered as a part of remediation process.

Capacity building

- 13.** Has your company undertaken any specific training with its first tier suppliers on this issue?

As mentioned in question 4, Inditex does not make any difference between tiers in its compliance programme as per its traceability and sustainability approach. No matter which process or tier it is the factory Inditex develops its procedures in order to guarantee that complies with the Inditex Code of Conduct for Manufacturers and Suppliers.

In relation with the question referred, there was a general conference with the attendance of all Turkish suppliers of Inditex, and one-to-one meetings are held continually with suppliers which are put under related risk category (See page 66 of the 2014 Inditex Annual Report).

- 14.** What steps has your company taken to ensure that your policies/approach are being implemented by suppliers beyond the first tier?

As mentioned in question 4 and above question, Inditex does not make any difference between tiers in the application of its compliance programme as per its traceability and sustainability approach.

Despite the audits take place, suppliers have the responsibility to ensure Inditex Code of Conduct is implemented at its factories and regularly check and report about the improvements take place at each. Regular meetings are conducted with suppliers where the expectation is to see the matching results between Inditex audits and reports shared by suppliers (See page 66 of the 2014 Inditex Annual Report).

Stakeholder engagement

- 15.** Does your company engage with local civil society groups and trade unions on this issue, for instance, in negotiating a policy position & carrying out risk mapping?

Inditex has attended numerous panels in Turkey including a roundtable organised by Ethical Trade Initiative (ETI) and Fair Labour Association (FLA) on 6th March 2015 with the attendance of nearly 90 stakeholders; NGOs, trade unions, UN agencies, Turkish Ministry of Labour and brand members of ETI and FLA to come up with an action steps for different stakeholder groups. Inditex played an active role to invite all brands together with NGOs and other stakeholders in Turkey to develop action plans and common approach on this huge humanitarian crisis.

Inditex has also worked closely with ETI to work on a strategy on Syrian refugees and Inditex Turkey CSR manager attended "emergency" meeting on 22th October 2014 regarding refugee crisis in London with ETI representatives to exchange ideas and to draw up an action plan. Furthermore, Inditex was among the signatories to an official letter that was formed as a concrete result of roundtables and meetings held with stakeholders, sent in October 2015 collaboratively by FLA, Fair Wear Foundation (FWF) and ETI, about "Work Permits of Foreigners under Temporary Protection" to Turkish Government to seek urgent regulation for resolution on this crisis. As a proceeding, Inditex hosted a meeting with the attendance of ETI and several brands representatives on progress.

Apart from that Inditex also organised meetings and interacted with key players such as International Labour Organisation, UNHCR, International Organisation of Migration, Istanbul Ready-Made Garment Exporters' Association and local unions and to understand their

approaches on the same and to discuss how to ensure fair treatment of Syrian refugees in the supply chain, from January 2014 to December 2015. On 29th January 2015 Inditex Sustainability team visited Istanbul Ready-Made Garment Exporters' Association with ETI representative.

IndustriALL has been part of these discussions as partner of Inditex having a framework agreement with. Inditex and IndustriALL representatives visited the two important and biggest local unions in Turkey in December 2015 to discuss about Syrian refugees and presented the official letter that Inditex also signed and sent to Turkish Government.

Despite these efforts, Inditex continues to provide guidance to stakeholders including other brands that consult for help on the remediation process regarding Syrian refugees. A local working group was formed in Turkey between brands. Turkish cluster continues to participate events regarding Syrian refugees with civil organisations. Inditex CSR manager visited refugee camps at south region (Kilis) on 21th July 2015, talked with the officials, and visited hospitals that are run by Doctors without Borders whose activities are funded by Inditex.

- 16.** Does your company work with trade unions on identifying health & safety risks for Syrian refugees (where communication may be difficult)?

Once the prospective regulation on employment practices on Syrian refugees enter into force, Inditex will collaborate with the partner Refugee Support Center to provide trainings to suppliers including Health & Safety.

Apart from that, Inditex will continue to develop programmes along with IndustriALL Global Trade Union in line with the commitment expressed in its Global Framework Agreement (See pages 61 and 62 of the 2014 Inditex Annual Report).

- 17.** Does your company work with trade unions or other partners to offer training and education programmes for refugees?

Once the prospective regulation on employment practices on Syrian refugees enter into force, Inditex will continue to collaborate with Refugee Support Center to provide trainings to suppliers including Health & Safety. Currently, as a part of remediation process, any Syrian refugees that could be detected would be informed about their rights by above mentioned partner. Inditex also will continue collaborating with IndustriALL and talking with local unions for potential partnerships after legalisation of Syrian workers.

- 18.** Has your company engaged the Turkish Government regarding the legal framework for Syrian refugees?

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Other information

Please provide any further information regarding your company’s activities on this issue which you think are relevant.

Please see attached ETI position statement 2014.

Details on Inditex donations and fundings: Doctors without Borders and UNHCR (See www.inditex.com)