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# INDITEX SUBMISSION



# Clean Clothes Campaign Wage Survey

Response ID:80; Data

## 1. Login/Password Action

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## 2. Introduction

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### 1. Company name:

INDITEX S.A.

### 2. Brands owned by company:

ZARA, BERSHKA, STRADIVARIUS, PULL&BEAR, MASSIMO DUTTI, OYSHO, ZARA HOME, LEFTIES, UTERQUE

### 3. Main contact person:

Name: : ALEIX GONZALEZ BUSQUETS

Email: : ALEIXGB@INDITEX.COM

Contact phone number: : 0034981185400

## 3. The living wage standard

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### 4. 1.1 What is your company's position on payment of the living wage to workers in your supply chain?

Inditex Code of Conduct for Manufacturers and Suppliers (hereinafter the Code) establishes in the Clause 7 that "wages should always be enough to meet at least the basic needs of workers and their families and any other which might be considered as reasonable additional needs".

In relation with Clause 7, Inditex clearly states in the Clause 8 that: "Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate, pursuant to the provisions of the prevailing regulations in force". And as established in the Clause 10 of the Code, this principle applies to the complete supply chain "Those who outsource any work shall be responsible for the enforcement of the Code by these third parties and their employees. Likewise, manufacturers and suppliers shall apply the principles of this Code to any home worker involved in their supply chain, and shall give transparency to the locations and working conditions of said home workers".

Furthermore, Inditex is member of the Ethical Trading Initiative (ETI), whose Base Code establishes in its Clause 5: "wages should always be enough to meet basic needs and to provide some discretionary income" as well as in the Clause 6: "Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate".

Additionally, International Framework Agreement (IFA) between Inditex and the ITGLWF (nowadays IndustriALL) in 2007 expressly covers the Inditex' suppliers compliance regarding living wages among other Code requirements in its Clause 4: "ITGLWF will work with Inditex to help secure full compliance either with the standards set out in the international instruments mentioned above, the Inditex Code of Conduct for External Manufacturers and Suppliers and the ETI Base Code, namely: (1) Employment shall be freely chosen; (2) Freedom of Association and the right to Collective Bargaining shall be respected; (3) Working conditions shall be safe and hygienic; (4) Child Labour shall not be used; (5) Living Wages shall be paid".

### 5. 1.2 Please give the link to the code of conduct which is used when monitoring conditions in your supplier factories. If it isn't publicly available, please upload a copy using the option below.

[http://www.Inditex.com/en/corporate\\_responsibility/social\\_dimension/code\\_of\\_conduct\\_for\\_manufacturers\\_and\\_suppliers](http://www.Inditex.com/en/corporate_responsibility/social_dimension/code_of_conduct_for_manufacturers_and_suppliers)

## Upload option.

### 6. 1.3 Does your company agree with the definition of a living wage as given [here](#)?

No, our definition differs from the definition given.

### If no, please provide details of how your definition of a living wage is different and give justification.

Inditex understands living wage according to ILO definition. An adequate living wage according to the ILO should:

1. Provide for more than subsistence, as it should “maintain a reasonable standard of life” and “at least satisfy basic needs”; and
2. Be determined in part by societal standards as “understood in their time and country” and therefore should change over time and differ across countries (presumably with economic development).

(See page 16 of the document “Estimating a living wage: A methodological review” available at [http://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---travail/documents/publication/wcms\\_162117.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_162117.pdf))

Apart from the above mentioned, Inditex understands that any collective agreement on salaries that have been freely negotiated between employers and freely elected trade unions representatives constitutes a fair wage reference for a country / region / city /factory. Thus, this figure would be used for reference in measuring level of compliance of factories with Salaries provision of the Inditex Code of Conduct.

## 4. Respect for freedom of association and collective bargaining, a precondition for a living wage

### 7. 2.1 How has the right to Freedom of Association and Collective Bargaining been clearly communicated to workers in your supplier factories and subcontractors?

There are several ways that Inditex is using in order to ensure that FOA and CB are communicated to workers:

1. The first step that Inditex requires to the 100% of its suppliers is to sign, accept and post the Inditex Code of Conduct in the factory premises. The Code has to be posted in a visible place to all workers and in a local language to be well understood. The clause 04 “Respect for freedom of association and collective bargaining” of the Inditex Code, states: “Manufacturers and suppliers shall ensure that their employees, without distinction, have the right of association, union membership and collective bargaining. No retaliation may arise from the exercise of such right and no remuneration or payment whatsoever may be offered to the employees in order to hinder the exercise of such a right. Likewise, they shall adopt an open and collaborative attitude towards the activities of Trade Unions. Workers’ representatives shall be protected from any type of discrimination and shall be free to carry out their representative functions in their workplace. Where the rights to Freedom of Association and Collective Bargaining are restricted under law, the appropriate channels to ensure a reasonable and independent exercise of such rights must be designed ”

2. Inditex, in order to exercise its CSR commitments globally, recognises ITGLWF as its global trade union counterpart for workers engaged in the production of textile, garments and footwear. Both Inditex and ITGLWF engage in to collaborate to ensure the application of International Labour Standards, including International Labour Organisation (hereinafter ILO) Conventions N° 29, 87, 98, 100 y 105, 111, 135, 138,155 and 159 as well as the Universal Declaration of Human Rights, the UN Convention on the Rights of the Child and the OECD Guidelines for Multinational Enterprises. Consequently, on October the 4, 2007 Inditex and IndustriALL have agreed to establish an International Framework Agreement (IFA) to ensure the effective application of all International Labour Standards and to continually improve labour and safety conditions throughout the supply chain of Inditex. As a cornerstone of the Agreement there’s the recognition of Trade Unions, both at local and international field, as a natural counterpart for Inditex. The collaboration to ensure all suppliers’ workers have

the right to unionize and to bargain collectively has been wide from 2007. A "Protocol to specify the role of trade unions in the enforcement of the International Framework Agreement within Inditex's supply chain". was signed in May 4, 2012 The commitments signed towards the right of local, national and international trade unions to:

- a. - be aware of the complete information regarding the Inditex Supply Chain.
  - b. - have access to the all the suppliers' factories.
  - c. - be familiar with and participate in the Inditex Compliance Programs
  - d. - propose the necessary measures to correct any breaches detected in the Supply Chain.
  - e. - be familiar with and participate in the corrective action plans in the event a breach is detected
3. 1292 workshops with suppliers to ensure that workers are free to join and create unions since 2010 .
4. Pilot project carried out in Turkey in May 2013 with 5 of the most important suppliers together with IndustriALL and two local union members of IndustriALL.
5. Meeting held in Phnom Penh (Cambodia) on June 2013 along IndustriALL South East Asia General Secretary and all represented Cambodian Unions to inform about the procedures and the opportunities that the IFA provides in the FOA and Collecting Bargaining clauses. 25 union representatives were present at this two day meeting .
6. Meetings held during 2012/2013 in the frame of the International Framework Agreement. Joint delegation has visit several production areas (Brazil, Morocco, Cambodia or China in order to gather the opinion of the local trade unions with regards to the labour situation and clothing sector in the different areas. Most importantly, 25 visits were carried out at factories where the IndustriALL delegation: (1) interviews with the factory management; (2) visit the factory premises as well as; (3) interview different employees and worker representatives. After the first steps part of the project is finalized, a training project is expected to be set up for worker representatives and business managers.
- (\*) Please find full information in the pages 78,79,80,81of Annual Report 2012; pages 64,65,66,67,68,69 of Inditex Annual Report 2011 and pages 73,74 of Inditex Annual Report 2010.
- (\*) The Cambodian unions who were present at the meeting are: C.CAWDU; NIFTUC; FTUWKC; CFITU; CUF; CLUF; CWLFU; TUWFPD.

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**Percentage of supplier factories and subcontractors reached by these measures:**

100%

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**Please supply an example of materials used:**

[GFAWorkshopFinalAgendarev.pdf](#)

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**8. 2.2 Do you support or facilitate training for workers to ensure they are aware of their right to freely associate, in conjunction with local independent trade unions or workers' rights organisations? Please supply details:**

Yes. Inditex has been widely focusing its attention to ensure the right of freely associate of all workers throughout its supply chain. Thus a Pilot Project has been prepared and successfully implemented in Turkey (under the IFA with IndustriALL) and is being escalated to other the countries where Inditex sources from such as Bangladesh, India or Morocco.

In order to test the methodology, IndustriALL vice general secretary Mr. Kemal Ozkan and IFA coordinator Mr. Engin Sedat, Turkish Trade Unions, 5 of the most important Turkish suppliers and Inditex CSR Department developed the project in Turkey. The general goal of such training consists of involving managers, officials, workers and supervisors from Inditex suppliers, as well as representatives of local trade unions from each of the countries involved.

Joint workshops take into account all relevant issues involving:

- Work organisation.
- Productivity, output capacity of manufacturers.
- Techniques for social dialogue at the work centre.
- Promotion of Freedom of Association and Collective Bargaining and Mature Industrial Relations systems.
- Improving mechanisms / reporting and discipline procedures at the work centre.

- Rights and Duties of employees and officials of the factory.

Programme has two main phases where the initial phase sets the background for the second phase; trainings, by ensuring that there is a functional worker representation system and/or TU representation.

The workshop project develops a capacity building process for freely elected workers representatives and factory managers with the aim of allowing a new collaboration environment at factory level. Plus, the strengthened worker representatives have to; afterwards, disseminate their knowledge among the rest of the workers and ensuring a good understanding of it. For this reasons, booklets in local language and easy to follow information are prepared.

The process of the workshop is as it follows:

1. Suppliers receive the visit of Inditex Rep and IndustriALL rep in order to explain the workshop and set up the process of freely elect worker representatives.
2. Freely election of worker representative(s) at factory level. This election shall not be mistaken for an alternative to Trade Union representation.

Under the scope of the project, if the factory is unionised, workers appointed by the trade union will act as TU representatives. In this situation or when it is proven that there is a functional freely elected worker representation system suppliers/factories may be exempted from the first phase. Where both systems are not present, the process includes;

- Awareness training to be given to workforce before elections; management, representative, Inditex representative and IndustriALL representative (as an observer) will explain to workforce at factories the nature and objectives of the training so that they can duly elect the participants in it.

- Elections of worker representatives according to the Guideline agreed between IndustriALL and Inditex.

A guideline has been to support workplace management, workers or any third party who are willing to maintain a better worker-management dialogue system and understand that freely elected worker representative(s) have a crucial role in these dialogue mechanisms.

3. Start the process of the elect worker representative overlooked by Inditex and IndustriALL.
4. Workshop commence with the participation of factory management, local TU reps and Inditex CSR members.

The worker group will comprise 2 or 3 trade union representatives and 2 representatives from each of the factories included in the project. The management group will also comprise 2 people from each of the same factories, appointed by the firm's management. Both IndustriALL and Inditex may appoint a person to participate in each of the groups.

The workshop it is divided in 3 areas:

Workers' Rights which covers:

- ILO Conventions (related conventions on FOA and collective agreement)
- Local Legislation (related areas on working hours, wages and trade union rights)

An ILO specialist and an academician in the field of local Law are planned to deliver trainings on above areas to two groups.

Sustainability, Competitiveness and CSR session shall cover:

- New challenges for competitiveness and opportunities in textile and apparel industry for the sustainable firms
- How CSR empowers competitiveness
- Better organisation of work, better worker-management dialogue, better sustainable and competitive firms

The workshop is formed in plenary sessions and some other divided in groups formed only by workers and other only by management reps.

An academician proposed by trade unions and preferably in the field of Management is to deliver the training together with IndustriALL representative and an employer association representative, to two groups.

5. Post - training activities

An evaluation takes place between Inditex and IndustriALL, after trainings.

Follow up visits shall be done at factories for an impact assessment. The methodology will be developed

based on the training type and the expected outcome on worker and management groups.  
 (\*) IndustriALL and Inditex have created a Guideline which defines the election process in detail. For definitions and legal framework regarding worker representation, please refer to Annex II which defines Workers' Representatives Convention, (ILO No. 135), 883 U.N.T.S. 111, entered into force June 30, 1973.

Names of local unions or workers rights organisations: : IndustriALL provide the umbrella fo all their local affiliated unions; moreover activities with local unions have taken place with FITEQA in Spain; TEKSIF, DISK, DER IS in Turkey  
 Percentage of supplier factories reached by these measures: : 10%

**9. 2.3 Do you provide training for management of your supplier factories and subcontractors on the right to freedom of association?**

Yes. At it has been described in the previous question, the same training about the FOA and Collecting Bargaining it is received both to workers and management. This workshop has been collectively prepared by IndustriALL and Inditex and will be implemented in all the countries where Inditex is supplying from. Moreover several “one to one meetings” are regularly being held with supplier management to underline every clause of the Inditex Code of Conduct and with special stress out of the FOA and CB. Thus, 586 meetings have been held with suppliers in the last year 2012.

**Percentage of supplier factories and subcontractors reached by these measures:**

41%

**10. 2.4 Have your supplier factories and subcontractors issued the Right to Organise Guarantee to workers in any of your production units?**

	Country:	Number of suppliers:	Details:
1:			The 100% of the suppliers who produce Inditex goods are required to sign Inditex requires its manufacturers and suppliers to sign the Inditex Minimum Requirements which includes the Code of Conduct for Manufacturers and Suppliers. In the clause 4 it is embedded to respect the right of all employees to form or join a trade union of their free choice and to bargain collectively without employer interference. Plus, the signature of the International Framework Agreement along with IndustriALL provides the joint approach in those cases where the right of freedom of association is not guaranteed
2:	TURKEY	3	Please see Inditex Annual Report 2012, 2011; 2010
3:	CAMBODIA	2	Please see Inditex Annual Report 2011; 2010
4:	INDIA	1	Please see Inditex Annual Report 2011

**Please provide a sample of materials used in specific countries:**

**11. 2.5 Do you require supplier factories and subcontractors to sign Union Access Agreements? If yes, please supply details.**

Yes.  
 Inditex requires its manufacturers and suppliers to sign the Inditex Minimum Requirements which includes the Code of Conduct for Manufacturers and Suppliers.  
 The Inditex policy aims to ensure that workers have access to opportunities to learn about and, should they choose to do so, be represented by trade unions. The IFA between Inditex and IndustriALL is willing to help creating a positive climate for trade unions at the factory premises by implement joint workshops with factory owners and worker representatives described above.  
 This Code establishes in the Clause 7 that “Manufacturers and suppliers shall ensure that their employees,

without distinction, have the right of association, union membership and collective bargaining. No retaliation may arise from the exercise of such right and no remuneration or payment whatsoever may be offered to the employees in order to hinder the exercise of such a right. Likewise, they shall adopt an open and collaborative attitude towards the activities of Trade Unions. Workers' representatives shall be protected from any type of discrimination and shall be free to carry out their representative functions in their workplace. Where the rights to Freedom of Association and Collective Bargaining are restricted under law, the appropriate channels to ensure a reasonable and independent exercise of such rights must be designed"

Furthermore all activities related with the Freedom of Association guarantee and allowing free access to Trade Unions throughout the Inditex supply chain are developed under International Framework Agreement. Inditex is currently the only garment company who has signed an agreement of these characteristics with IndustriALL worldwide.

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**Number of supplier factories with agreements:**

1.434

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**Please provide a sample of agreements signed:**

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**12. 2.6 Does your company have an accessible, actionable and safe means by which workers can file and follow up on complaints about violations of freedom of association and collective bargaining rights? How do you monitor that this can be accessed freely by workers?:**

Yes. All employees of Inditex, manufacturers, suppliers or third parties with any direct relationship with the company and a lawful business or professional interest, may, regardless of their tier or geographic or functional location, report to the Committee of Ethics through this Whistle Blowing Channel any breaches of the Code of Conduct and Responsible Practices or of the Code of Conduct for Manufacturers and Suppliers that they may be aware of, which affect Inditex, and which arise from any other employees, manufacturers, suppliers or third parties with whom Inditex has any direct employment, business or professional relationship, through a report made in good faith.

Code of Conduct for Manufacturers and Suppliers establishes in the Clause 14.4. (Committee of Ethics and Whistleblowing Channel) that "This Code is aligned with the principles and values that are included in the Inditex Code of Conduct and Responsible Practices, which regulates a Committee of Ethics and Whistleblowing Channel to ensure its enforcement.

In this sense, and in order to ensure the enforcement of the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics can act at its own initiative or following a formal complaint made in good faith by a manufacturer, supplier or other interested third party that might have any direct relationship or commercial or professional interest with Inditex.

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 via:

- Post: Avenida de la Diputación, Edificio Inditex, 15142 Arteixo, A Coruña ( Spain), Att: Committee of Ethics
- Email: comitedeetica@Inditex.com
- Fax: +34 981 186211.

(See page 56 and 57 of the 2012 Inditex Annual Report).

In addition to the above mentioned, compliance with the Code of Conduct (whistle blowing procedure included) is enforced through the application of the International Framework Agreement signed with IndustriALL federation. This trade union federation supervises at the factory level any breach against the Code and active necessary procedures to correct it.

(See pages 82 and 83 of the 2012 Inditex Annual Report)

Committee of Ethics is accessible via post, email and fax, which eliminates potential barriers of freely access to this channel by workers (See above answer).

IndustriALL also has the capacity to monitor the application of the Inditex Code of Conduct for Manufacturers and Suppliers under the capacity provided by the "Protocol to specify the role of trade unions in the enforcement of the International Framework Agreement within Inditex's supply chain"

### **13. 2.7 Have you done any work to limit the use of short term contracts in your supplier factories and subcontractors?**

Please provide details of your policy and its impacts in relevant countries: : Inditex Code of Conduct in its Clause 9 states: "Manufacturers and suppliers undertake that all the employment formulas they use are part of the applicable local laws. Thus, they shall not impair the rights of workers acknowledged under labour and social security laws and regulations by using schemes that have no real intention to promote regular employment in the framework of regular employment relationships". Inditex has identified the use short term contracts or contract workers as one of the important issues to analyze. The main purpose is to understand how, the use of the mentioned workers might affect in the proper application of all the worker fundamental rights including the right of FOA and Collecting Bargaining. For that matter, and in conjunction with other brands and retailers, Inditex has set up a project in India with the aim of being able to replicate it in all of the countries where Inditex sources from.

How has any of this work impacted on workers ability to receive seniority bonuses?: : The project is devoted to: Limit the reliance on hiring contract labor, with majority of the workforce on the direct company's rolls (permanent employment). Our target to achieve is to ensure that the top 10 suppliers in India should have at least more than 80% of the workforce as permanent by the end of the project. The first pilot project was recently initiated with a limited scope of one factory in New Delhi and NCR in North of India, in collaboration with the representatives from two UK based Brands (Next and TopShop/TopMan). In this project, a survey was conducted on current prevailing practices involving contractual labor and the Factory was visited by all the 03 brands to understand the current hiring practices and grievance handling procedures for the contract labor. These visits included Interviews with Management, contractors and workers to understand the current practices related to hiring of contract workers and also to understand the issues with contractor labor inside the factory premises. Based on the feedback and observations, root cause analysis was done with Recommendations being shared with the factory. Currently the factory has been given some time to implement the suggested practices and another comparative study will be done post 6 months to understand the outcome of implementing the best practices. Since 2011, Inditex is one of the founding members of the working group on Contract Labor in BEWG (or Brands Ethics Working Group). The main objective of the group is to study and analyze on contract labor in respective supply chains and to develop (and further implement) the best practices for the contract labor. Activities included: Study the challenges and current practices with employment of contract labor by factories (sample taken from respective factories) / Discussion with legal authorities and understood the opinion on hiring the contract labor from the Law side / Developed the Draft formats to be shared with the suppliers so as to be used in their factories (currently only as a recommendation, but not yet enforced). As a part of internal trainings to the suppliers, it has clearly being informed that contract labor should not be employed in order to avoid benefits eligible to workers. It has been stressed that each worker working under similar capacity must be given equal opportunities as defined under the law. During audits and visits to the factories, it is mandatory for the teams visiting to understand the internal hiring practices of the factory. This includes understanding the hiring of new workers if they directly come to factory for employment. Suppliers have been informed that all the contract laborers must get all the benefits applicable to permanent workers, including but not limited to the Leaves with wages. At the moment of filling in this survey, the project has included 1.480 workers. This particular project has been endorsed by the Steering group of United Nations Global Compact, and has asked Inditex to submit the outcomes of the project with the aim of escalate the process carried out to other sectors and social realities

### **14. 2.8 Is there anything else you would like to tell us about work you have done so far, or work you are planning, to promote the right to freedom of association in your supply chain?**

As it can be read in the Implementation Protocol signed between IndustriALL and Inditex on 2012, Inditex has the sincere aim to ensure that the right of FOA is ensured in the entire supply chain. Since 2007 both organization supported by the local unions had been very active in two complementary approaches; the reactive procedures and the proactive ones;

Reactive understood by, IndustriALL and Inditex have been partners in order to solve disputes occurred in several countries when a case of activity against FOA has been detected (please see previous questions). Proactive understood as the willingness to cooperate with local and international Trade Unions in order to create awareness modules and training that allows and provide collecting bargaining at factory level. Inditex



promotes the creation of Mature Industrial Relation throughout the supply chain due to it has been demonstrated as the best way to manage conflict and has provide good outcomes in several countries. Thus, as the collaboration goes on, Inditex is focusing its attention to the Proactive activities since provide a higher value added to the workers in the Supply Chain.

## 5. Dialogue and negotiation with labour rights organisations

### **15. 3.1 Please provide details of any active collaborative work undertaken with independent trade unions or labour rights organisations in your sourcing countries:**

As it has been previously mentioned. Inditex has a wide experience in collaborative work with local and International Trade Unions throughout its supply chain. The International Framework Agreement with IndustriALL and the further in depth Protocols signed in 2011 and 2012 has been adding new experiences and the will of creating robust cooperation between the worker representative organizations and Inditex. The intention is not only solve the potential breaches of the Inditex Code of Conduct but also create the necessary procedures to help the factory workers to e its capacities and ensure that are free to create or join a Trade Union and bargain collectively.

Examples of collaborative work can be found in detail in the Inditex Annual Reports 2010, 2011, and 2012 in India, Bangladesh, Peru, Morocco, Turkey, Portugal, China, Vietnam, Brazil, Argentina and Cambodia Another important aspect related with it is that, both IndustriALL and Inditex believe that, through the collective bargaining is the most powerful and sustainable way to ensure fair wages and decent working conditions for all workers. Thus, Inditex along with other international brands such Next and TopShop/TopMan, has launched a Pilot project in Turkey devoted to substantially increase the workers' wages. This project, in conjunction with IndustriALL, local Trade Unions, University academics, NGO's and engineering companies propose to move away from auditing and create a better and more sustainable way of working with factories that manufacture our products, ultimately ending up with mechanism which enables factories to demonstrate their ability to create a good working environment by sharing responsibilities with factory management and workers, holistically building capacity with the factories with a strong focus on three key pillars: (1) Freedom of Association; (2) effective HR management systems; (3) productivity and efficiency.

Thus, raising wages in the factories through focus on improving productivity, human resources management and worker empowerment. That might bring productivity gains up to 50%, important wage raises which brings substantial benefits to the participating factory such as retention of a skilled and motivated workforce, better quality and lower recruitment and training costs.

As a result of the correct combination of those pillars, the program aims to achieve three main objectives:

- Improve worker representative system to strengthen social dialogue and industrial relations between employer and employees.
- Improve overall productivity and efficiency at the factory on the basis that financial benefits will be equally shared between workers and supplier through continuous communication with freely elected worker representatives and collecting bargaining (bonus systems will be developed).
- Strengthen or establish and effective and robust human resources management systems.

Finally, the deliverables of the project are:

- Enhanced factory productivity and competitiveness, and as a result of this, improved wages and benefits for all workers.
- Improved working conditions.
- Mature Industrial Relations by ensuring Freedom of Association and Collective Bargaining.
- Effective Management Systems specifically production and human resources management.
- Establish and ensure worker participation in Health and Safety Committees.

The project is divided in different phases

#### 1. Preparatory Phase.

- i. Factory Selection
- ii. Factory buy-in
- iii. Finalization of MoU and other agreements
- iv. Programme Launch
- v. Stakeholder Engagement
- 2. Baseline Assessment
  - i. Management Systems.
  - ii. Worker Management Dialogue (WMD)
  - iii. Productivity.
- 3. Implementation
  - i. Worker Representative Elections
  - ii. Worker and Management Trainings
  - iii. Improvements in Management Systems
  - iv. Improvements in productivity
- 4. Impact Assessment.

At the moment of the completion of this survey, the Joint Project has achieved and completed the following phases; (1) Preparatory Phase; (2) Baseline Assessment and (3) the Worker Representative Elections from the Implementation phase. The rest of the phases are currently being implemented. Results will be shared with all interested stakeholders

**16. 3.2 Have any of your collaborations resulted in unions or bargaining processes starting within your supplier factories?**

Yes. As it has been described above, several cases had been documented at the Inditex Annual Reports in geographical areas such as Spain, Turkey, Cambodia or Peru. The joint intervention between IndustriALL and Inditex were capable to:

- Ensure the right of Freedom of Association.
- Support the creation of Collective Bargaining processes

**6. 4. Benchmarks for a minimum living wage**

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**17. 4.1 Does your company have internal figures that it uses to benchmark living wages for each sourcing country or region?**

Yes

**If yes, please provide details of how these were developed and how they are used:**

As it has been previously mentioned, Inditex shares the idea that through the collective bargaining, workers have the most powerful and sustainable way to ensure fair wages and decent working conditions. Thus, Inditex supports the freely collective bargaining process and successful achievements on that field as a robust step forward towards fair wages and collect these data as a benchmark to be applied in the sourcing countries, areas or factories where it applies.

Plus, Inditex is close to sign a Public Private Partenariate with the International Labour Organization with the aim seek to assistance on how a living wage have to be calculated in different sourcing countries under the ILO provisions. Therefore, it will help as a baseline assessment to focus negotiations during the collective bargaining procedures and avoid disruptions from different figures

**18. 4.2 Please provide information about the figures you are using to benchmark a living wage in your 3 main production countries or regions.**

	Country/region	Living wage benchmark
1.	Portugal	485 Euros / months

2.	Morocco	11.97 Dirhams / hour
3.	Spain	783.72 Euros / month

**19. 4.3 Please give details of the number of your supplier factories in Asia that are currently paying the Asia Floor Wage.**

	Country/region	Number of supplier factories paying Asia Floor Wage
1.		Asia Floor Wage is one among other institutions that are focusing its attention to living/fair wages. Each of these institutions share the willingness of establish a calculation of what a living wage means and whether or not is higher of the minimum wage but they differ in the way the calculations are carried out. IndustriALL and Inditex believe that the best way to ensure workers' rights are ensured is by the promotion of Mature Industrial Relations and promoting Collective bargaining at all levels (country / region / factory). With the expertise of the ILO, a template could be provided to both local unions and employers' associations to help them to set up collecting bargaining agreements with up to date labour cost figures. The same provides the capacity to workers to ask and bargain for the working conditions included but not limited to wage considerations. It is important to acknowledge that, within the collecting bargaining negotiations, many other areas can be developed besides wages such us: free transportation, food allowances, working hours, etc.
2.		
3.		
4.		
5.		

**7. Purchasing practices that make living wages possible**

**20. 5.1 Is your company doing work to limit the use of subcontractors in your supply chain and/or consolidate your supplier factory list? Please provide details:**

Yes. Inditex strategy focuses its attention towards the creation of a stable and efficient supply chain where the use of subcontracting will be limited. Different measures have been implemented to this objective:

1. Rationality of the supply chain.

One of the first measures that Inditex CSR Department took in its creation was to limit the number of the Inditex Supply Chain. As a result of that Inditex decreased its number whilst increasing the production.

Number of suppliers in 2012: 1434

Number of suppliers in 2002-2004: 2662

2. Stability of the supply chain.

Other objective of the CSR Department since its creation has been to work in the rationality of the Inditex Supply Chain. As a result of that and during the last years Inditex has keeping stable its number of suppliers during the last years whilst production has increased:

Number of suppliers in 2012: 1434

Number of suppliers in 2011: 1490

Number of suppliers in 2010: 1464

(See Inditex Annual Reports

[http://www.Inditex.com/en/shareholders\\_and\\_investors/investor\\_relations/annual\\_reports](http://www.Inditex.com/en/shareholders_and_investors/investor_relations/annual_reports))

3. Procedures focused on determining the Production Capacity Analysis.

Inditex helps factories to boost their internal production capacity as a means of reducing to a minimum the need of suppliers to outsource work via subcontractors. In this regard, a good example is the job done in India with the Vidya Project's where within the first two years, the number of factories receiving outsourced orders from Inditex suppliers fell by 95%. These improvement plans were crafted following detection of shortcomings in the Inditex supply chain based on more than 700 unannounced audits conducted at supplier facilities. The

final outcome is the increasing of the suppliers' internal capacity and the reduction in the usage of subcontractors.

(See <http://www.Inditex.com/vidya/en/> )

#### 4. Other measures

Apart from the above mentioned, Inditex has established the Pre-Assessment as a way to control all new suppliers that they are entering in the Inditex supply chain, ensuring that only those suppliers that meet the social, labour and environmental standards and health and safety requirements receive orders.

(See page 67 of the 2012 Inditex Annual Report).

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### **21. 5.2 Does your company operate a policy of buyers favouring supplier factories that consistently meet a high wage standard? How?**

Inditex promotes working with those suppliers with the highest compliance in terms of the most important Code of Conduct clauses, being salaries one of them.

As a result of that policy, A and B suppliers (better categories in term of compliance with the Code of conduct) represent more than 91 % of the total bought in 2012 in comparison with 88% en 2011. (See page 291 of the 2012 Inditex Annual Report).

This evolution can be seen through the latest Annual Report.

Percentage of production in A+B supplier in 2012: 91.44

Percentage of production in A+B supplier in 2011: 87.92

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### **22.**

Are other incentives provided for buyers or supplier factories to work towards a living wage for workers? :  
Yes, there are other incentives applied for buyers as economic bonus for those ones that put more orders on A and B suppliers. (See above answer).

How is this monitored? : By the Inditex CSR Department along with the IT Department and the Internal Audit Department.

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### **23. 5.3 Does your company break down and calculate whether FOB prices per piece are sufficient to allow for compliance with the wage standard your company has set out in its code of conduct?**

Yes. Inditex has implemented since 2012 an internal process to the 100% of their buying teams that breaks down FOB prices. One of the main inputs is to know, analyze and understand the weight of the labor costs on the same and create patterns that help to identify whether this costs are below the expectations of the Inditex Code of Conduct.

Moreover, Inditex is in the final stage (to be signed at the end of November 2013) of signing a PPP (Public-Private Partenariate) with the ILO. The aim of this PPP is to collaborate with the ILO in several matters such as:

- Project to find way for the eradication of child labour in the cotton fields.
- Project focused to prevent the forced labour in the supply chain.
- Project to spread out the ILO Conventions throughout the supply chain.
- Projects devoted to living wage; breakdown of labour costs, proper calculation of Living wages in different sourcing countries under the ILO provisions.
- Collaboration in the home working pilot project.

One important role that both ILO and Inditex deems necessary is to provide to the ILO the capacity to assess Inditex about the calculation of the Living Wages in the Inditex sourcing countries and regions. The idea that lies behind is to take advantage of all the expertise that ILO has and being able to provide reliable and pragmatic figures to local, international unions as well as factory managers. Thus, it will help as a baseline assessment to focus negotiations during the collective bargaining procedures and avoid disruptions from different figures.

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### **24. 5.4 Does your company operate a policy of buyers favouring supplier factories that support the establishment and functioning of genuine trade unions, and those with collective bargaining**

## agreements?

Yes. Collaborating and cooperating with our natural counterparts it is embedded at Inditex. As a result of it, landmarks such the signature of the IFA is a fact. Inditex wishes, along with IndustriALL to ensure all factories and suppliers respect the FOA Collaboration with natural counterparts (such as worker's representatives, ILO, etc is the cornerstone of the Inditex sustainability model. As an example, and in conjunction with IndustriALL. Inditex operates a clear cut and very strict policy against all those factories or suppliers that prevents or blocks the creation of trade unions at factory level and /or the creation of collective bargaining. Moreover the same policy is followed in those factories that applaud or support the creation of yellow unions in its premises. Thanks to the sincere collaboration between local, international Trade Unions, suppliers and Inditex, many factories with wrong ideas about trade unionism had been able to improve their industrial relation between managers and workers.

Supporting this explanation, Inditex gathers the 91.44% of their production at suppliers who are listed as A or B grade

### **25. 5.5 Please provide information about any other work your company has done / is planning to do on improving your purchasing practices, in relation to wages.**

Inditex is actually preparing a Purchasing Practices project within the year 2013. This project will be devoted to buyers and designers in order to analyze the actual Inditex purchasing practices and eventually improving those shortfalls identified. The project will be compulsory to all new design and buying department members.

## 8. Living wage projects

### **26. Please provide details of any projects here. Please note you can cut and paste long pieces of text into these small boxes if necessary:**

	Project 1	Project 2	Project 3	Project 4
Location:	TURKEY			
Number of factories and workers involved:	3 (MORE THAN 5.000 WORKERS INVOLVED)			
Living wage benchmark used:	the benchmark will result as the combination of the increasing efficiency and productivity at factory level and the use of the collective bargaining procedures			
Partnerships:	TOPSHOP/TOPMAN, NEXT PLC, IndustriALL, TEKSIF, SOGEP, Engin Sedat, Maggie Burns (Women Workers Worldwide);			
Wage increase achieved:	The project has not finalized and thus, no data is available. All data will be publicly available once the project will be finalized and ready to be escalated to other suppliers and countries.			
Details of process:	The whole process it is detailed in question 3.			

### **27. Please upload any useful supporting documentation here:**

[Memorandum of Understanding Hazarteks Tekstil.pdf](#)

## 9. New Page

### **28. 7.1 Have you publicly supported calls from civil society and unions to increase the minimum wage to a living wage standard in your production countries? Have you made this position clear**

## **towards governments and employers associations?**

Inditex understands the journey that many countries and governments have to follow in order to adapt the national legislation to the international requirements. Thus Inditex, as responsible brand, is willing to ensure that the suppliers working in its supply chain are capable to improve and evolve towards a wage that has been agreed with factory management or entrepreneur organizations and worker representatives.

Public support have been endorsed to activities of local and international unions in countries such as Cambodia (2011); Bangladesh (2012 towards increasing of the existing wages in those two countries). Plus, Inditex representatives have stated these arguments, both formally and informally, in front of both the employer's association and governments in all production areas identified as "Cluster of Suppliers". Please see pages 76-81 of the Inditex Annual Report 2012; pages 64-69 of the Inditex Annual Report 2011, pages 72-75 of the Inditex Annual Report 2010

### **29. 7.2 As part of this work, have you issued a public statement assuring country governments that you will not relocate production as a result of minimum wage legislation that ensures a living wage?**

Yes. As an example of Inditex's position with regards to the living /fair wages is the letter that the company president signed on January, 17th 2012 to the Government of Bangladesh. In the letter it was clearly stated that the Bangladeshi working conditions had to improve and the need of an increasing of wages in the country. Having said that, Inditex chooses their suppliers for its capacity to adapt them to Inditex requirements (quality, service, price and working conditions). As an example of it, more than 52% of the production is made in countries such as Spain, Portugal, Turkey or Morocco and other EU countries where labour costs are clearly high compared with other geographical areas. Therefore, labour costs and wages are not a fundamental element on the supplier / region decision making. As it has been previously mentioned, Inditex believes the promotion of Mature Industrial Relations is the way to ensure the application of decent working conditions by allowing local unions and actively promoting their activities.

Moreover, Inditex is member of the Steering Committee of the Accord on Factory and Building Safety in Bangladesh. The Accord on Building and Fire Safety Foundation is a ground breaking agreement between global unions and brands and retailers which aim to ensure that the garments produced in Bangladesh are produced in safe factories

## **10. Transparency**

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### **30. 8.1 Does your company publish a full public list of supplier factories, and sub contractors, their locations and products?**

Inditex has determined two different level of public information: (1) - Information available to all public where it can be found at the Inditex webpage as well as the different Annual Reports that are yearly issued (all of them available at [www.inditex.com](http://www.inditex.com)) (2) - Information shared with IndustriALL and the local/regional trade union. Under the IFA, Inditex is fully transparent with the counterparts and, on a yearly basis provides the full and updated list of suppliers, factories, factory workers, country of origin, full address, audit results, number of units sourced, etc under the terms signed in the Protocol on 2012 for the sake of being able to jointly address the different aims signed in the Accord.

### **Do you have plans to publish a full list in the future?**

Since the year 2012, Inditex has already shared the full list of supplier and factories with IndustriALL on a yearly basis.

### **31. 8.2 Does your company publish impact reports on projects related to wages?**

Yes. Inditex will provide full information regarding the pilot projects that are being carried out at the moment in their webpage.

[http://www.Inditex.com/annual\\_report/en/Challengesandperspectives/Sustainablesupplychain.html](http://www.Inditex.com/annual_report/en/Challengesandperspectives/Sustainablesupplychain.html)

## 11. Collaborative working

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### **32. 9.1 Please provide details of your involvement with any multi-stakeholder initiative projects working to improve wages:**

Inditex is a proud and active member of the Ethical Trading Initiative (ETI) ETI is a ground-breaking alliance of companies, trade unions and voluntary organizations (NGO). ETI works in partnership to improve workers' lives across the supply chains that make or grow consumer goods - everything from tea to T-shirts, from flowers to footballs. ETI brings corporate, trade union and voluntary sector members together in a unique alliance that enables us to collectively tackle many thorny issues that cannot be addressed by individual companies working alone. Ethical trade means that retailers, brands and their suppliers take responsibility for improving the working conditions of the people who make the products they sell.

Moreover, Inditex represents the Garment sector in the Supply Chain Steering Group of UN Global Compact. Many of the projects that ETI has in place and with the participation of Inditex have the final aim of improving working conditions of the working at the supply chain and intrinsically improve wages if this is a need. As an example two projects devoted in India such as the Indian National Home worker Group and the Tirupur Working Group (TNMS project).

A key issue for home workers is wages. As a first and vital step to addressing this issue, retailers participating in NHG have greatly increased visibility and efficiency along their supply chains, and now all know exactly where the handwork on their products is carried out. This is a major step forward as it means there is now a direct line of accountability between retailers and home workers.

A common approach to agreeing piece rates has also been developed which is based on a more realistic assessment of the time it takes to work on an item. A system has also been created that informs home workers how much they should be paid for a piece and allows them to report when they do not receive this rate. This, combined with work also being carried out to help home workers reduce their costs and keep records of their transactions with contractors, is helping to increase their incomes. To date, over 40,000 home workers have been touched by this work <http://www.ethicaltrade.org/in-action/programmes/the-indian-national-homeworker-group>

### **33. 9.2 Please provide details of any work you have initiated outside an MSI, directly with other companies which has improved wages:**

As it has been widely described in question number 2 (contract workers pilot project) 3 (Joint Project Turkey for increasing wages) and will be described in question number 10 Inditex understands that, in order to have higher leverage at factory level, there's a need to seek powerful alliances with other retailers and brands that are sharing similar proactive attitude towards union rights, worker rights and need to ensure proper and fair wages at factory level. Collaboration with other retailers and brands is something that many companies have seen as negative in the future but hopefully we can see a higher commitment among brands to share efforts and information.

### **34. Supporting documents:**

## 12. 10. A clear route map for implementing a living wage for all workers

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### **35. 10.1 Has your company developed a strategy for delivering a living wage in your supply chain? Is this a public commitment?**

Inditex is publicly committed with the implementation of the living wage in its supply chain employees (See all previous questions) and it is carrying out several steps towards it. As a result of that Inditex, throughout its CSR strategy, has developed during the last years different projects to enforce application of its Code of Conduct, living wage included. The joint project currently taking place in Turkey is setting up the further steps on the same since once the results will be available, Inditex, along with their counterparts will scale up the project to the different countries where the production is sourced from.

(See Inditex Annual Reports

[http://www.Inditex.com/en/shareholders\\_and\\_investors/investor\\_relations/annual\\_reports/](http://www.Inditex.com/en/shareholders_and_investors/investor_relations/annual_reports/))

**36. 10.2 Does this strategy have a time scale? If yes, please state.**

This strategy it is actually in place and as part of the continuous improvement procedure will be defining the scalability to entire supply chain.

**37. 10.3 What consultation have you carried out on this strategy, both within and outside your company?**

Many stakeholder consultations have been conducted. As an example, IndustriALL, ILO office in Madrid and Geneva, Maggie Burns from WWW, local Trade Unions in different countries such as Spain, Turkey, Bangladesh, Portugal and Brazil, local NGOs in Turkey such as CYDD and SOGEP, University of A Coruña academicians, etc.

**38. 10.4 How will you ensure that vulnerable workers, such as homeworkers or migrant workers are also included in efforts to increase wages?**

As the Inditex Code of Conduct and the International Framework Agreement underlines, all workers, including home workers and migrant workers, are entitled to have the exact same rights. Apart of the project coordinated by the ETI on home workers, Inditex has decided to create its own project related with home working. Buyers and sourcing teams are aware of Inditex's policy and approach on Home working. They are aware of the Inditex basic requirements related to home based work, to ensure that Home workers are not actively excluded from supplying products or negatively affected by buying or sourcing practices.

Agents and suppliers are informed that home working is acceptable to INDITEX subject to certain conditions and requirements. INDITEX shall also communicate to all external stakeholders on its commitment to home working and implementation of appropriate strategies related to the same

a. Training of suppliers and intermediaries / agents in the supply chain

INDITEX shall ensure all suppliers, agents and other intermediaries involved in the home working process are trained on the various requirements related to home working. For this purpose, INDITEX may refer to training modules and resources of Ethical Trading Initiative and any other agency working in the area for the benefit of Home workers.

b. INDITEX guidelines on home working

The following are the guidelines formulated by INDITEX related to home working

i. INDITEX shall communicate to all suppliers and external manufacturers about its policy on home working and implementation of all guidelines

ii. All suppliers and external manufacturers of INDITEX are required to inform INDITEX, all details (in applicable formats) of agents, intermediaries and home workers for each production order executed for INDITEX. The information shall be sent prior to execution of the order once and on a weekly basis during the execution of the order. For this purpose, INDITEX shall institute an internet based database where this information shall be entered by the supplier and external manufacturer. The database shall also provide for continuous tracking of production through home workers

iii. All suppliers and external manufacturers of INDITEX who may employ home workers shall appoint one responsible person who will be the main contact person for INDITEX responsible for home working. This person shall be the same one who is also responsible for TIER 2 of the respective supplier

iv. The following requirements shall be implemented for home workers across Inditex supply chain

i. Work shall be carried out on a voluntary basis with no bonded contract or deferred payment contract resulting in non-payment of remuneration for the work carried out at the end of the work completed status

ii. Home workers shall be encouraged to freely associate and form association/trade union or join trade unions of their choice for the purpose of engaging in collective bargaining and INDITEX could identify local civil society organisations for the facilitation of the same

iii. Home workers shall be provided a safe and hygienic work environment by the supplier and provide appropriate trainings to the workers prior to the initiation of the work order. The supplier shall also ensure all health and safety equipments are provided during the execution of the order and shall be responsible for the same

iv. Child labour or child work shall not be employed. In case either is found, the INDITEX Child Labour



Remediation Procedure (CLRP) will be implemented

v. In case of child assisting parents at work, the home worker has to ensure that such work does not deprive the child of the time to be given for compulsory education

vi. Home workers shall be paid at least the minimum wage equivalent to a similar job done by a factory worker or as per minimum wages defined by local law. Wages shall be paid on the accepted frequency and clear details of wages earned are to be provided. There shall be no delay in payments

vii. Home workers should be trained and made aware of all their rights related to wages, employment, working hours they shall not be forced to carry out any work without their consent

viii. Suppliers, external manufacturers and its agents shall not discriminate home workers on the basis of race, caste, religion, creed, gender, marital status, membership with associations, political affiliation, disability and there shall be no harsh and inhumane treatment meted out to any home worker.

Inditex has set up a very ambitious project in North India focused in ensuring the welfare of the potential home workers that could participate in the Inditex Supply Chain. The project aims to:

- Identify the 100% of the home workforce.
- Train the suppliers and trader who send the goods at the villages.
- Ensure safe and hygienic conditions for the homeworkers.
- Ensure that a fair wage is paid.
- Ensure that children does not work in the premises.
- Improve the actual channel of distribution and create cluster of production areas.

The mentioned project is created with tight collaboration with local stakeholders such SEWA and other NGO and local trade unions.

**39. 10.5 Is there anything else you would like to tell us about your work on the living wage that hasn't been covered in this survey?**

N/A

**13. Further questions about your supply base**

**40. 1. What are your main production countries? Please state percentage of total production per country and the number of supplier factories.**

	Country	Percentage of production	Number of suppliers
1	Proximity (European Countries + Morocco)	55%	667
2	Asian countries	42%	672
3	Rest of the World	3%	95
4			
5			
6			
7			
8			
9			
10			

**41. 2. What kind of trade partners are part of the sourcing structure? Please indicate an approximate % of volume share of your production:**

Production at factories owned by your company: : 5%

Orders placed directly to supplier factories: : 63%  
Orders placed through agencies or intermediates: : 32%  
Other: : %

**42. If other, please specify.**

**43. 3. What is the length of time that you have been working with your current suppliers?**

	% of suppliers
More than 5 years:	19%
2-5 years:	53%
Less than 2 years:	28%

**44. 4. How many sites did you use to produce your goods in 2012?**

First tier suppliers: : 1.434  
Sub contracted suppliers: : 2.878

**45. 5. How many supplier factories do you trade with where you have a regular production share of more than 25%?**

Number of suppliers: : 1.138  
Please list suppliers, country and % of product share at the factory: : N/A

**Response Location**

<b>Country:</b>	Spain
<b>Region:</b>	
<b>City:</b>	
<b>Postal Code:</b>	
<b>Long &amp; Lat:</b>	Lat: 40, Long:-4

From : Aleix Gonzalez Busquets <aleixgb@inditex.com>  
To : "anna" <anna@labourbehindthelabel.org>  
Cc : Setem Hego Haizea Iratxe Arteagoitia <i.arteagoitia@setem.org>, "Eva Kreisler" <ekreisler@setem.org>  
Subject : RE: Inditex Profile  
Date : Fri, 31 Jan 2014 17:40:29 +0000  
Attachments : Inditex profile.doc

Dear Anna,

I have attached the document you sent me few days ago. In it there are some comments for your reference. Moreover, please see below my comments to some other issues you raised in red.

If you have any other queries do not hesitate to contact me.

Aleix

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**De:** anna [mailto:anna@labourbehindthelabel.org]  
**Enviado el:** domingo, 19 de enero de 2014 10:14  
**Para:** Aleix Gonzalez Busquets  
**CC:** Setem Hego Haizea Iratxe Arteagoitia; Eva Kreisler  
**Asunto:** Inditex Profile

Dear Aleix,

Please find attached the first draft of your company's profile, which has been put together based on information you submitted to the Clean Clothes Campaign Wage Survey (also attached).

If you would like to correct any factual inaccuracies, or provide CCC with further information to support your submission which clarifies anything we have mentioned, then please send it to us by close of play on 30th January. Please note this profile is subject to change prior to publication, although it will mostly remain the same.

We had a few things we wanted to clarify:

- We saw that the benchmark you have provided for Portugal was less than the Portuguese minimum wage... Was this a typo? How were the other benchmarks for Europe developed?

Indeed is a typo (what was previously written is the Portuguese minimum wage (the figure in 14 pays), you can find the correct figures in the document attached).

- We noticed also that you number of subcontractors is very high - almost double that of your first tier suppliers. Is there a reason for this? We saw that you have been trying to consolidate your supply chain. Has this number gone up in recent years?

Inditex has consolidated the number of suppliers in the last years (reducing them in more than 30%). At the same time; we have increased the transparency approach of the Inditex supply chain. Previously Inditex was only focused on the sewing factories whereas for more than 2 years, is also controlling laundries, dyeing facilities, packing and other units. Obviously, when you include all these facilities the number of factories is increasing. The idea is to continue enlarging the awareness of the full supply chain and thus the figures of the units will be increasing in the coming years.

- We would like a bit more information if possible about the agreement to work with the ILO that was mentioned in 5.3.

The PPP with the ILO is one of the programs that will focus more our attention in the short future. We believe it has huge potential. It is in the latest stage and right now is in ILO office for its approval. Since it's been not signed yet Inditex cannot make the PPP public. We would be more than happy to do so but it would create some trouble. In general terms, all the mentioned items will be tackled by the PPP and the ILO will provide the technical expertise on those items. In order to make the proposal feasible the big majority of the activities will take place in 4 areas where Inditex is sourcing from such as Turkey, India, Bangladesh or Morocco. Moreover, following the willingness of covering as much as the supply chain as possible, the collaboration will include a pilot project on seeking the working conditions of the cotton fields and try to link with a traceability study. Obviously, as soon as the PPP will be formally signed in the short term, Inditex will disclose the full document as well as the conditions of the same.

The report timeline going forward from this is that we will need a few more weeks to incorporate comments and finalise details, before the report is published towards the end of March – final date TBC. A finished copy of the report will be sent to you a few days before launch.

Copied in to this email is your CCC contact point person. Please be in touch with this person if you have questions or concerns. However, please do make sure to copy me in ([anna@labourbehindthelabel.org](mailto:anna@labourbehindthelabel.org)) to mails with any additional concise information or factual corrections you wish to make to the text.

Best wishes,  
Anna

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Anna McMullen | Campaigns Director | Labour Behind the Label

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E: [anna@labourbehindthelabel.org](mailto:anna@labourbehindthelabel.org) | W: [www.labourbehindthelabel.org](http://www.labourbehindthelabel.org)

Please note: As of 1st March 2014 we will move offices to Easton Business Centre, Felix Road, Bristol BS50HE

Join the LBL Facebook group | Follow us on Twitter: @labourlabel

Labour Behind the Label works to improve conditions and empower workers in the global garment industry. We are the UK platform of the Clean Clothes Campaign, a coalition of campaigns in 15 European countries with a network of 250 organizations worldwide.

All LBL staff work 3 days a week only. My normal working days are Monday - Wednesday. You can reach me on the mobile number above at other times.

## Profile: Inditex

Brands: Zara, Bershka, Stradivarius, Pull & Bear, Massimo Dutti, Oysho, Zara Home, Lefties, Uterque

### Company position on the living wage:

Inditex say: "Wages should always be enough to meet at least the basic needs of workers and their families and any other which might be considered as reasonable additional needs... In the International Framework Agreement Inditex have signed with IndustriALL it states the union will work with Inditex to ensure full compliance to codes and standards including Clause 5 of the ETI base code: "Living wages will be paid..." Inditex understands that any collective agreement on salaries that have been freely negotiated between employers and freely elected trade unions representatives constitutes a fair wage reference for a country / region / city / factory.

**We say:** Inditex's commitment to working with trade unions to increase pay is commendable, demonstrated by their International Framework Agreement. While the focus on freedom of association is very welcome, the focus on delivering improvements to wages needs to be improved and developed if workers in their supplier factories are to start seeing concrete changes to their economic well-being.

### In more detail:

**Has living wage benchmarks?** Inditex stated benchmarks in some countries including Morocco, Spain and Portugal (although the numbers given were just about minimum wage, and, in the case of Portugal, below the minimum wage...). For Asia, no benchmarks have been established.

### Worker empowerment:

**Inditex say:** "Manufacturers and suppliers shall ensure that their employees, without distinction, have the right of association, union membership and collective bargaining. No retaliation may arise from the exercise of such right and no remuneration or payment whatsoever may be offered to the employees in order to hinder the exercise of such a right. Likewise, they shall adopt an open and collaborative attitude towards the activities of Trade Unions. Workers' representatives shall be protected from any type of discrimination and shall be free to carry out their representative functions in their workplace. Where the rights to Freedom of Association and Collective Bargaining are restricted under law, the appropriate channels to ensure a reasonable and independent exercise of such rights must be designed "

Inditex have worked to pro-actively promote this right through trainings and meetings with local trade unions in a number of key production countries, through trainings of suppliers on freedom of association and through issuing right to organise guarantees in Turkey, Cambodia and India.

### Commitment and practices:

Inditex has started to address the way they manage their supply chain by reducing the number of suppliers used, increasing production in suppliers with more ethical practices and by taking steps to reduce the need for subcontracting. Although they have started to include labour costs in the calculation of costs, there is no commitment to addressing their own pricing practices - a key factor in ensuring living wage levels can be met. They have yet to produce clear benchmarks for a living wage for each of their production countries.

### Collaborative approach:

Inditex has realised the importance of working collaboratively on these issues. They are the only international garment retailer to have signed an International Framework Agreement with IndustriALL, the global union representing garment and textile workers. They have also worked with local unions in Cambodia, Bangladesh and Turkey. Collaboration with other brands is also a key part of their approach, both through their membership of the ETI and within separate pilot programmes.

### Strategy:

Inditex are working on a number pilot projects that address issues that are fundamentally linked to

**Comment [DS1]:** Collaboration in different aspects along with local unions have been occurring also in Portugal, Brazil and Spain. Moreover, joint mission with IndustriALL regional offices in South America, Europe and Far East Asia have been taken place.

wages, including freedom of association and short term contracts. Inditex is taking part in a project in Turkey with NEXT and Arcadia: "The programme aims to establish or improve a sustained worker representative system to strengthen social dialogue & communication between employer and employees... and... to improve overall productivity and efficiency on the basis that financial benefits will be equally shared.." No results are yet available.

Inditex also cited an agreement to work with the ILO on a number of projects including: "Project to spread out the ILO Conventions throughout the supply chain; Projects devoted to living wage; breakdown of labour costs, proper calculation of Living wages in different sourcing countries under the ILO provisions." These projects have not yet started.

Inditex have no overall strategy to deal specifically with living wages, no road map to improving wages within their supply chain, no systematic benchmarking of living wage standards and no time-bound commitment to improve wages.

### Production overview:

Number of suppliers: First tier suppliers: 1.434, Sub contracted suppliers: 2.878  
Main production countries listed as: 42% Asia, 55% Europe and Morocco, 3% rest of the world.  
Inditex does not publish a full public list of where its supplier factories are, but a full supplier list is provided to the unions.

### Comments:

Inditex continue to merge their commitment to a living wage with the commitment to Freedom of Association. While we certainly agree that collective bargaining between management and trade unions is a fundamental part of improving and maintain wages, this approach relies on a strong trade union within all workplaces and within countries. This is simply not the case in many of the regions where garment production takes place.

Inditex state that any collective agreement freely negotiated between employers and elected trade union representatives counts as a fair wage. We agree and don't agree with this statement. Certainly any negotiated agreement on wage must be respected. But, even where trade unions do exist, they often do not have the political space to demand real living wages at the factory level or in national minimum wage negotiations, especially when the starting point is a minimum wage of only a quarter of the amount needed. The downward price pressure exerted by international buyers denies the space for workers to negotiate a real living wage based on actual need.

This is why it is essential that Inditex develop benchmarks based on the real cost of living for workers and make sure these are included in the prices paid to factories. We hope that work with the ILO on 'proper calculation of Living wages in different sourcing countries' will play a part in Inditex making this important step.

Developing benchmarks does not and should not undermine the work of a trade union. In fact, knowing that key buyers have a commitment to moving towards a living wage figure may actually assist trade unions in making wage demands that represent the real needs of workers and opening the space in negotiations.

We were shocked to see that the living wage benchmarks that Inditex did provide (in Europe and Morocco only) were so low – just above the minimum wage in the case of Spain and Morocco. In the case of Portugal, the figure given – 485 euros – is less than the minimum wage of 565 euros, which is surely illegal... We hope that Inditex will revise these figures.

Inditex also lack a strategy to address the problem of poverty wages where trade unions are not yet well established. It would be more than possible for Inditex to look at improving wages in the short term, alongside its programme of trade union rights. This would require a clear, time-bound strategy for improving wages in their key supplier factories in major production countries.

**Comment [DS2]:** Inditex cannot agree with this paragraph. Inditex has identified the living wage subject as one of the key priorities for the coming years. This matter has been clearly included in the Inditex Agenda and a Road Map created. First: understanding the factors that incise in the factor. Second: find out the way where Inditex can provide input in the process and identifying the correct partners to go with. Third: Implement pilot programmes in some of the Inditex key sourcing countries and analyzing the outcomes. Fourth: Scaling up those programmes that had been successful and trying to increase the critical mass with other retailers in order to increase the fundamental leverage that will allow the programmes to succeed.

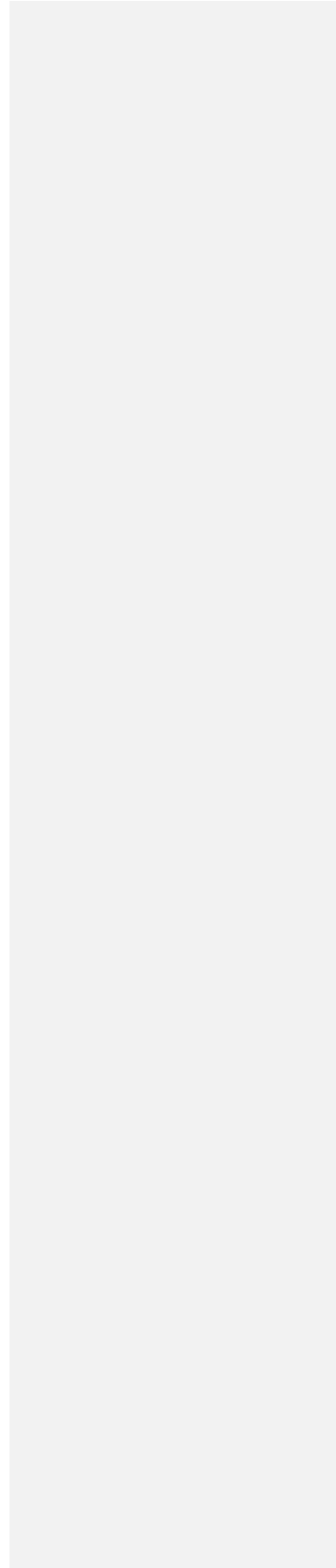
Aiding the capacity of the workers to increase their wages have been the driving element of many of the programmes that Inditex has designed and is currently implementing. As soon as we got the outcomes of the projects, they will be parameterized and scale it up within the different regions covering the vast majority of the factories that are producing for Inditex.

Inditex has been the galvanizer of the joint programme that is taking place along with other brands also includes key stakeholders such as IndustriALL, Women Empowerment Organizations as well as Academicians.

**Comment [DS3]:** We agree that some of the local Trade Unions haven't the necessary muscle in order to properly bargain. However we strongly endorse that organized workers have higher capacity to take decisions and to bargain collectively. Thus, Inditex will continue to address this subject alongside with the natural counterpart (international and local Trade Unions) with the aim of empower workers and ensuring they have the right and the necessary skills to bargain collectively.

**Comment [DS4]:** This figure is a mistake. In case of Portugal 485 Euros is the minimum wage (with 14 payments a year which is the common payment mode in the country). The benchmark for Portugal is 542 Euros per month in 14 payments.

Inditex are able to demonstrate efforts to address other, linked issues such as homeworking and short term contracts and have proved willing to collaborate with key stakeholder to deliver pilot projects, which is great. Unfortunately, to date Inditex have been reluctant to engage with the Asia Floor Wage proposal. This is disappointing. Given their commitment to engagement and the buying power inditex have in key Asia Floor Wage countries they would be a good candidate for working with the trade unions involved and for testing the implementation of Asia Floor Wage through their collaboration.







## INDUSTRIALL/INDITEX SEMINAR ON GLOBAL FRAMEWORK AGREEMENT

### AGENDA

#### **25<sup>th</sup> JUNE 2013**

- 0830-0900 Arrival and Registration of Participants
- 0900-1000 Introductory Sessions:  
*IndustriALL Global Union, What it is, what it does*
- 1000-1030 Tea Break
- 1030-1230 Inditex and its Corporate Social Responsibility  
By; Antonio Yanes Roca, Inditex CSR Department
- 1230-1400 LUNCH
- 1400-1500 International Standards and Global Framework Agreements
- 1500-1730 Presentation of the IndustriALL/Inditex Global Framework Agreement  
The Protocol on the Role of Trade Unions in the Implementation of the GFA  
Plenary

#### **26<sup>th</sup> JUNE 2013**

- 0900-1030 Group Work 1: Challenges and Opportunities in the current Industrial Relations in Cambodia  
Plenary
- 1030-1045 Coffee break

1045-1230	Group Work 2: Improving Union – Management Relations (Workplace Cooperation) using GFAs
1230-1400	LUNCH
1400-1430	Plenary
1430-1600	Group Work 3: Action planning with Plenary
1600-1700	Immediate steps/Agreement in Monitoring and communication
	Closing

INDİTEKS TEKSTİL  
SANAYİ VE DİŞ TİCARET A.Ş.  
Bağcılar - İSTANBUL  
Kocasinan Vergi Dairesi 105 019 0387

29/05/13

**1. JOINT TURKEY PROGRAMME**  
**2. MEMORANDUM OF UNDERSTANDING**  
**3. To conduct a strategic and holistic programme in (Factory Name) commencing (Commencement Date)**

**Preamble**

The goal of this programme is to move away from 'tick box' auditing and create a better and more sustainable way of working with factories that manufacture our product, ultimately ending up with a mechanism which enables factories to demonstrate their ability to create a good working environment, with out the need for 3<sup>rd</sup> party auditing'.

We aim to do this by sharing responsibility with factories and workers, holistically building capacity within the factories, with a strong focus on the following three key pillars: Freedom of association, effective HR management systems, productivity and efficiency.

**1. Partners to the Agreement**

This agreement is between SANAYİ VE DİŞ TİCARET A.Ş. (Supplier/Factory Name) and INDİTEKS, NEXT, TOPSHOP /TOPMAN.

**2. Objective of the Agreement**

The programme will consist of three key objectives:

- a) The programme aims to establish or improve a sustained worker representative system to strengthen social dialogue & communication between employer and employees (Supplier/Factory).
- b) The programme aims to improve overall productivity and efficiency of (Supplier/Factory) on the basis that financial benefits will be equally shared between the workers and Supplier through continuous communication with freely elected worker representatives and collective bargaining if trade union is present. In order to achieve this, an effective dialogue mechanism which would also replace the existing distribution channels (e.g. previous Incentive/bonus systems) will be developed.
- c) The programme aims to review, strengthen and/or establish an effective and robust human resource management system.

**3. Commitments**

- a) INDİTEKS,NEXT,TOPSHOP TOPMAN / (Factory Name) commit to provide necessary and financial and in kind resources to support the programme's success within the budget which will be decided and agreed on when the programme starts.
- b) INDİTEKS,NEXT,TOPSHOP TOPMAN/ (Factory Name) commits to participating and engaging fully in all three objectives of the programme.
- c) Parties agree to work in good faith and collaboratively to ensure the mutual obligations and programme objectives are met.

**4. Deliverables**

Anticipated deliverables of the programme are as listed below:

4. Enhanced factory productivity and competitiveness, and as a result of this, improved wages and benefits for all workers

5. Improved working conditions
6. Complying with the legal standards in terms of working hours and overtime
7. Mature industrial relations by ensuring Freedom of Association and Collective Bargaining Right
8. Effective management systems specifically production and human resource management
9. Establish and ensure worker participation in health and safety committees

**5. Period of Programme**

Programme starts on 01/06/13 (Commencement Date) and will last for a minimum period of 12 months and a maximum period of 24 months. In the event of unforeseen delays, that hinder the conclusion of the programme within the agreed period, the period of the action may be extended by mutual agreement of the partners.

**6. Planned action**

Please refer to the attached activity sheet

**7. Confidentiality**

Please refer to the attached signed confidentiality agreement.

Dated: 29/05/2013.....

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Signed for ..... (Factory Name) AKMAK ..... (Job Position) [Signature]

Signed for [Signature] (INDITEX): CSR DIRECTOR ..... (Job Position)

Signed for [Signature] (NEXT): Global Code of Practice Manager

Signed for ..... (TOPSHOP TOPMAN): ..... (Job Position)