

ITGLWF
8 rue Joseph Stevens
1000 Brussels
Belgium

Arteixo, 2 May, 2005

For the attention of Neil Kearney- Secretary General

In reply to your e-mail regarding the terrible accident that took place in the Spectrum Garments factory in Savar (Bangladesh), and further to the conversation you held on the phone with the Director of the Corporate Social Department of our company, Mr. Chércoles last week, I hereby enclose a summary of the commitments and action lines presently implemented by INDITEX together with the BSCI platform and with other social agents involved

I. Social audit.

- ❖ *Examine why it is that you failed to uncover or why you ignored the hazards at the factory in Savar, which were in violation of Bangladesh's inadequate labour law and against international labour standards as well as your own code of conduct covering wages and working conditions including hours of work and health and safety. In particular, I would urge you to disclose your company's audit reports for this company.*
- ❖ *Take urgent measures to examine what measures are necessary to ensure your code of conduct is properly implemented throughout your supply chain.*

1.1. First of all, as revealed by the information provided in our 2002 and 2003 Sustainability Reports, we hereby confirm the following:

- That INDITEX is a textile company that manufactures over 60% of its products in European markets.
- That the implantation strategy regarding the Code of Conduct for External Manufacturers and Workshops, approved in February 2001 focused during FY2002 and 2003 in carrying out a first phase of social audits in Europe, Turkey, Morocco, Peru and Brazil.
- That, further to the completion of the foregoing phase, and with the experience gained, INDITEX began in October 2004 the social audit in 900 factories and traders which make up the portfolio of Asian manufacturers currently in process.

- That the audit of Asian manufacturers, carried out in accordance with the BSCI methodology and by SAI-certified auditors, is still in progress and is expected to be completed by May end.
- Last, that, once the abovementioned audit be completed, a concentration and future normalization process will begin which will result in the beginning of corrective action plans in the factories of the INDITEX suppliers in Asia.

1.2. Conclusion:

- Although the factories of the suppliers in Bangladesh were being audited when the catastrophe occurred, Spectrum was not included in the review-normalization process for two reasons: first, the contractual manufacture relationship had taken place through a trader in India, and; secondly, the supplier did not provided the name of its subcontracts. As a result of the above, Spectrum was not included in the scope of the review.

2. Solidarity Fund

Ensure that the survivors as well as the families of those that died receive exemplary compensation, as well as the payment of any outstanding wages or benefits. If the manufacturer does not do so, then the brands or retailers sourcing at the factory should take joint responsibility.

With regard to this issue we would like to point out:

- 2.1. That from the very moment the CSR Department became aware of the catastrophe and bearing in mind that the review process was under way, it got in touch with *Cruz Roja Internacional* in Spain to be of any assistance that might be required.
- 2.2. That, once informed by Clean Clothes Campaign that when the catastrophe took place several garments of the ZARA brand were being manufactured, an internal enquiry was immediately ordered which confirmed that during FY 2003-2004, approximately 84,000 units had been manufactured through the abovementioned trader.
- 2.3. That INDITEX informed immediately the Spanish trades union of the unfolding of events.
- 2.4. That INDITEX informed promptly the representatives of the Spanish civil society and the European investment funds that requested information on the strategy that INDITEX would implement in the short term regarding said catastrophe.
- 2.5. That Inditex called the BSCI platform to propose a joint work strategy of all European retailers.
- 2.6. That INDITEX promoted the creation of a *Task Force* headed by BSCI and comprised of BSCI representatives, local unions, local and international NGO's, local governments and manufacturers.
- 2.7. That INDITEX invited some of your representatives (Messrs. Mountadas and Boix, from CC.OO (Spain)), to take part in said *Task Force*.

2.8. Last, that the aims targeted by the abovementioned *Task Force* in Dacca to take place in the next few weeks, were, *inter alia*:

- To carry out a professional and independent enquiry in order to clarify the reasons of this catastrophe and to help allocate responsibilities.
- To carry out a technical and independent research in order to identify and assess the human damages caused by the catastrophe to the employees and the families of the deceased, in terms of “*solidarity*” instead of “*compensation*”.
- Last, to set up a protocol of intervention for future catastrophes jointly with all those involved in the process.

3. List of suppliers

Disclose full details of your supply chain so that trade unions and others in civil society can ensure that minimum conditions are being met. Nike, the world's largest sportswear company, released the full list of its suppliers a couple of weeks ago, and there is no reason whatsoever why all other brand names and retailers should not do the same. Retailers or brands which refuse to do can only be judged to be afraid of being exposed as agents of exploitation.

3.1. As we have already stated under paragraphs 1.1. and 1.2. above, we are presently completing the first phases of the normalization process regarding the factories of the suppliers of INDITEX worldwide. Once this process is completed, we will consider your proposal.

Last, I would like to take the opportunity to thank you for the interest shown in the organization that I am honoured to head and offer you my support to develop jointly with some corporations, trade unions and the civil society, production lines that fully observe and ensure the Basic Human and Working Rights.

Should you require any additional information on the evolution of the *Task Force* in Dacca or on any other issues regarding the implantation of our Code of Conduct for External Manufacturers and Workshops, please contact either myself or Mr. Javier Chércoles – the Director of the CSR Department at INDITEX.

Best regards



— José María Castellano Ríos
Deputy Chairman and CEO