

***INDITEX GROUP STATEMENT
ON NON-FINANCIAL
INFORMATION***

Financial Year 2020

This document is an integral part of the consolidated director's report of Industria de Diseño Textil, S.A. and its subsidiaries, as Annex IV thereof. It has been stated by the board of directors in the meeting held on 9 March 2021

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Industria de Diseño Textil, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the Consolidated Non-Financial Information Statement (“NFIS”) for the year ended 31st January 2021 of Industria de Diseño Textil, S.A. (“Inditex”) and Subsidiaries (“the Group”), which forms part of the accompanying Consolidated Directors’ Report.

The Consolidated Directors’ Report includes information, additional to that required by current Spanish corporate legislation, relating to non-financial reporting that was not the subject matter of our verification. In this regard, our work was limited solely to the verification of the information identified in the Section “Index of contents required by Law 11/18, of December 28” to the accompanying Consolidated Directors’ Report.

Responsibilities of the Directors and Management

The preparation and content of the NFIS included in the Consolidated Directors’ Report are the responsibility of the Directors of Inditex. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the GRI standards selected, as well as other criteria described as indicated for each matter in the Section “Index of contents required by Law 11/18, of December 28” of the Consolidated Directors’ Report.

These responsibilities of the Directors and Management also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The Directors of Inditex are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which refers exclusively to 2020. We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and, consequently, the level of assurance provided is also lower.

Our work consisted in requesting information from Management and the various units of the Group that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and completeness of the contents included in the NFIS based on the materiality analysis performed by the Group and described in section “Analysis of materiality” of the accompanying Consolidated Directors’ Report, also taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2020 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the 2020 NFIS.
- Verification, by means of sample-based review tests, of the information relating to the contents included in the 2020 NFIS, and the appropriate compilation thereof based on the data furnished by information sources.
- Obtainment of a representation letter from the directors and management.

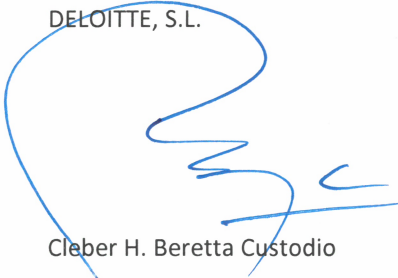
Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the 2020 Consolidated Non-Financial Information Statement of Industria de Diseño Textil, S.A. and Subsidiaries was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the Section “Index of contents required by Law 11/18, of December 28” to the Consolidated Directors’ Report.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.

A handwritten signature in blue ink, appearing to be 'C. Beretta', is written over the text 'DELOITTE, S.L.' and extends downwards.

Cleber H. Beretta Custodio

17 March 2021

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1. INDITEX IN 2020

1.1 2020 MILESTONES

- 2020 was a year marked by the pandemic and was key to the transformation of Inditex. Our fully-integrated business model has enabled the company to adapt to this new environment and continue to satisfy customers across more than 200 markets. This was demonstrated by the significant increase in online sales in 2020, currently reaching €6.6 billion.
- To **mitigate the impact of the pandemic**, we mobilised a global health emergency relief programme as part of our community investment efforts, to which we have allocated over 40.4 million euros. In addition to the donations made by the company, our staff have contributed over 1.4 million euros to charitable initiatives in the vicinity of our headquarters.
- **In Spain**, we made the company's full logistics and procurement capabilities available to the health services, businesses and individuals for the purchase and transportation of health equipment. Specifically, we transported over 177 million units of medical equipment in more than 66 flights.
- From the outset, we have endorsed the COVID-19: Action in the Global Garment Industry initiative, promoted by the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union, and supported by the International Labour Organisation (ILO), with the aim of coordinating an urgent response to the economic and social impact of the pandemic on garment workers. The initiative seeks to mobilise funds from international financial institutions and support the development of social protection schemes in the countries affected.
- Similarly, together with IndustriALL, we published a joint statement committing to work together on global recovery plans for the textile industry in the wake of the COVID-19 pandemic. This commitment is founded upon a long-standing collaboration between our Company and the global union.
- We are continuing to work on our sustainability road map, meeting all the objectives set for 2020. For example, we surpassed our target of 25% of **garments placed** on the market having the Join Life standard, with 37.8% of our items carrying the label.
- **We have also reached new milestones in our commitment to tackle climate change: The SBTi (Science Based Target Initiative) approved our decarbonisation objectives, describing them as "ambitious", given that the reductions proposed are stricter than those set by the most ambitious emission reduction pathways available today.**
- We have increased our use of renewable energy up to 81.08% for our own operations, and together with other companies founded the **MIT Climate and Sustainability Consortium (MCSC)** to accelerate large-scale implementation of solutions to address the threat of climate change.

- Our use of sustainable raw materials has also increased: among other materials, 90% of the cotton we use is now more sustainable; and we have signed up to a new commitment with Canopy on the Next Generation Vision for Viscose.
- Our ceaseless commitment to innovation. One such example is our **Sustainability Innovation Hub**, through which we launched our first chemical recycling pilot programme in December.
- We remain a female-dominated company, and our workforce is defined by generational diversity. Our stores play a leading role here and have a marked horizontal structure. Wage analysis in 2020 concludes that Inditex has wage parity.
- Since 2020, we have put in place a new coordinating body for our Global Framework Agreement with IndustriALL Global Union: the **Global Union Committee** representing the various IndustriALL Global Union members across our production chain, as well as the Spanish trade unions CCOO and UGT.
- Our customers are still our main drivers. Interactions with them grew exponentially in 2020. To give an example, our brand websites recorded 5 billion visits, and we accumulated more than 195 million followers around the world on social media.
- Over the course of 2020 we have continued with our transformation of the supply chain, implementing our Workers at the Centre *2019-2022* social strategy and developing various initiatives in its seven priority impact areas.
- We have continued to support communities. In 2020, a total of 703 **social initiatives** were implemented by Inditex to the direct benefit of 3.3 million people, with a total allocation of 71.8 million euros. Similarly, we have donated 4.1 million items to social causes, and our employees have spent more than 178,000 hours of their working days on volunteering and managing social initiatives.
- We have kept up solid partnerships with entities such as Water.org, with which we have signed a new four-year agreement, dedicating 6 million dollars to providing **access to safe drinking water and sanitation for more than 2.3 million people** with limited resources in Bangladesh, Cambodia and India.
- We have renewed our collaboration with Médecins sans Frontières (MSF), allocating a total of 2.5 million euros to **support COVID-19 related medical and healthcare activities**, provide assistance to refugees and support the MSF Emergency Unit.
- We also launched a new alliance with UNHCR to provide clothing for refugees and forcibly displaced persons. Under this alliance, Inditex and its suppliers **donated more than 875,000 garments in 2020 to displaced persons in UNHCR camps in Rwanda and Ethiopia**.
- Leading publications/monitors/rankings have given recognition to our sustainability efforts. The **Dow Jones Sustainability Index (DJSI)** has once again positioned us as a leader in environmental performance in our sector. In 2020, we were listed once again in the Corporate Knights ranking of the Global 100 Most Sustainable Corporations. And the **CDP Climate Change**

Report awarded us, for the 4th year running, an A- rating for our climate change programme given our leadership in disclosure and performance in this area.

1.2 SUSTAINABLE BUSINESS MODEL

Inditex is a global fashion, design, distribution and retail company which aims to offer our customers fashion items (clothing, footwear, accessories and home textiles) that meet the most demanding design, safety, sustainability and quality standards, at affordable prices. This activity takes place within a framework of respect and transparency, with ongoing dialogue with our stakeholders, and in line with our commitment to human rights; with the ultimate aim of generating a positive impact on our customers, society, industry and environment.

Inditex Group (hereinafter, the "Group") is made up of **eight commercial formats**: Zara, Zara Home, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe. Each brand has its own distinct personality, style and design team, with an integrated and directly managed sales model across physical and online stores. Present in more than **200 markets** on five continents (detailed information on the markets in which we operate is included in the Consolidated Director's Report).

Our fashion retail activities in the distribution and sale of fashion items are organised through an international group of companies, led by **Industria de Diseño Textil, S.A.** (hereinafter "Inditex" or the "**Company**", used interchangeably) listed on Spain's four stock exchanges and which, together with its subsidiaries, forms Inditex Group. The corporate structure as of 31 January 2021 is set out in detail in Annex I of the Annual Report of Inditex Group's Consolidated Annual Accounts.

People are the key element of our business model: on the one hand, the customers who demand our products, and on the other, those who place their talents at the service of our customers: our workers. 144,116 people of 171 nationalities, working with the utmost commitment and inspired by the values that make up the Group's founding drivers: enthusiasm, entrepreneurial spirit, non-conformism, innovation, inclusion and humility.

The changing nature of fashion, together with our desire for continuous improvement, have led us to define a business model differentiated in our sector. From the outset, our main tool for identifying trends has been **listening** to our customers, which has also enabled us to identify emerging needs that we have gradually introduced in the form of new products, services, technologies or channels.

Over time, we have developed a unique business model characterised by **flexibility, integration, sustainability, creativity and innovation**. Key to our management is the ongoing, centralised analysis of information on business development. It allows for agile decision-making, with solutions adapted to the business reality, with the potential for ongoing adaptation to the operational reality, whether due to shifting trends or changes in the environment. Because we have an active presence at all stages of the value chain, including design, production, logistics, stores and customers, we can ensure these changes are implemented globally. This integrated business model gives us a unified view of our customers, and guarantees a uniform shopping experience, offered to them via the various touchpoints. Our **digitalisation-based** strategy, including the adoption of new data acquisition and analysis capabilities, **differentiating our commercial space** (allowing us to integrate new technological tools), and **sustainability** (with the aim of contributing to the wellbeing of all our stakeholders) has been key to support our performance in 2020.

Due to the emergence of the pandemic and its social and economic consequences, the year 2020 posed a challenge in terms of constant adaptations. To confront this situation, our actions have been centred on **protecting** the health and wellbeing of our employees, customers, supply chain workers, and all the people who provide us (directly or indirectly) with the goods or services required for the business to operate, introducing preventive measures or the appropriate mitigation efforts, where necessary. The

constant evolution of restrictions on mobility, opening hours, store capacity, etc., have required continuous efforts to update all the markets in which we operate.

The **main initiatives** linked to protecting people in response to the global challenges arising from COVID-19 are as follows, and are developed further throughout this document: i) protecting our people's health and safety (p.24 *et seq.*); ii) safeguarding permanent employment (p. 44 *et seq.*); iii) protecting our supply chain workers (p.36); iv) implementing sales floor measures (p. 43); and v) an immediate response in communities and a sustainable recovery with actions such as logistical support or donations, among others (p. 204 *et seq.*).

In such an environment, the agility of our decision-making process and the **flexibility of our business model** have allowed us to operate normally. We have **forged ahead** with digitalisation in recent years, with the implementation of RFID technology-based tools connected with our integrated stock management system (SINT), allowing strong online sales growth with orders delivered using stock located in physical stores.

Similarly, we have played a very active role in managing our supply chain, promoting **COVID-19: Action in the Global Garment Industry**, launched by the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union, and supported by the International Labour Organisation (ILO), to coordinate measures to protect suppliers and workers from the impact of the pandemic.

The flexibility and integration of our integrated business model stems from our control over the various phases of the value chain:

a) Design

The creative process starts with more than 700 designers across all our brands: a significant added value in the Inditex business model. They are part of the commercial teams, who are responsible for in-depth analysis of our customers' preferences, and they represent the first level of the Company's commitment to sustainability, selecting the most suitable processes and materials for our products. These creative endeavours are embodied in our collections, with the addition of new creative products on an ongoing basis over the course of the season; in the window displays; and in the digital content we published over the course of the financial year, unique in the fashion world. Our stores and online teams are in constant contact with our team of designers through the Product Management Department, and this combined with our capacity to react means we can capture customers' preferences at all times. The active work we do in searching out and promoting increasingly sustainable materials and production processes also contributes to raising quality standards and making progress on the circular economy model.

b) Manufacture and supply

Manufacturing and supply are based on socially responsible supply chain management that guarantees dignified working conditions for all workers in supply and manufacturing. Our supply chain has a global presence, organised across 12 clusters, although there is a significant emphasis on supply in the areas nearest to our design centres. This gives us the ability to adapt our commercial offering to any emerging shifts in trends and instantly tailor our garment production levels to actual demand, an aspect of our model that has been particularly key to 2020. It means we can minimise the production of surplus goods, thus contributing to responsible stock management in line with both our commercial objectives and especially our sustainability goals. In this vein we are continuing to innovate and use more hard-wearing, environmentally-friendly materials, develop more efficient production processes and share all this information in line with the best communication and transparency standards.

c) Logistics and distribution

This stage is adapted to commercial decisions on an ongoing basis, a level of flexibility that has proven essential to our performance in the context of 2020. Each brand has its own centralised logistics centres where stock is held and dispatched to stores and online warehouses all over the world. This efficient integration of our online/store operations throughout the storage, transport and distribution processes is possible thanks to tools including our proprietary inventory management system based on the radio frequency identification (RFID) of each and every garment. This way, our customers will ultimately be able to make their decisions in their preferred environment - online or brick-and-mortar store - and enjoy an integrated shopping experience with technological innovations tailored to their needs.

d) Stores/Online

Our shopping space, whether in-store or online, is characterised by our search for quality. Our brick-and-mortar spaces are dedicated to customers enjoying experiencing the best locations in the world's most prominent shopping streets, in carefully architecturally designed settings and with the right technology to ensure they receive the best customer service. The online environment for each of our brands seeks to extend this fashion experience to make it available at anytime and anywhere via mobile devices, with the added convenience of customers being able to choose to receive their products at the location most convenient for them. It is about removing the barriers between the physical and virtual worlds, and ensuring our designers' products reach both settings as efficiently as possible. Our digital integration process, which has been under development in recent years, has gained the most **momentum** in the historic moment we find ourselves in. This has only added to our determined commitment to technological innovation. This will undoubtedly entail innovative solutions that can be flexibly adapted to continuous changes.

The strengths of our **flexible, integrated and innovative model** give us a competitive edge in our analysis and response in the short, medium and long-term. This has become particularly clear in managing the business in a context defined by unprecedented uncertainty arising from the global health crisis. We have made ourselves available to institutions, and our logistics and distribution centres have contributed their purchasing expertise, searching for medical materials and protective equipment. We continue to **collaborate** with different national and international entities to support the communities we operate in and society in general: not only from a health perspective but also taking a holistic approach, on top of our commitment to sustainability, to drive a potential exit and address the socioeconomic consequences of the outlook the pandemic has caused.

Ultimately, we have succeeded in **developing** a distinctive business model: a never-ending creative and productive circle, which must - now more than ever - tackle new challenges in responsibility and safety, to generate confidence and accompany our customers and workers on a **journey of hope and recovery**.

Our business model has been shaped by our objective of mitigating the risk stemming from operating in a sector characterised by the dynamic shifts in the trends our customers seek. This is why **risk management** is inherent to our business model, and is directly linked to the precautionary principle across our entire value chain, being the responsibility of each and every member of the Group. This precautionary approach is followed by the Group in a cross-cutting manner within its business model and allows it to manage the different risks identified upon planning operations, as well as develop and market new products. The development of our business is exposed to financial, geopolitical, technological, environmental, social and governance risks. Systematic identification, assessment, recording and monitoring processes have been established with the aim of ensuring the best possible

management in our attempt to achieve our objectives, based on the tolerance levels established by Senior Management. Risk management is a continually evolving process: many threats are emerging, and we must try to anticipate their potential impact. Our Integrated Risk Management System, described in Section E of the Annual Corporate Governance Report, is issued by the Board of Directors and focuses on standards aimed at managing various scenarios.

In parallel, we have a **robust Compliance System** at Inditex, more specifically, a corporate governance structure that ensures compliance with the standards, recommendations and best practices in this area. Our **corporate governance system** is designed to promote the Company's proper, transparent and sustainable management. We can therefore achieve maximum competitiveness and generate confidence amongst our shareholders, investors and all other stakeholders, with honesty and integrity at the core.

Whilst the crisis brought about by the pandemic may have impacted the proceedings of our **governing bodies**, limiting the potential for physical meetings, we have overcome these issues by using technological tools to facilitate constant communication. Our board members have received regular updates on the development of the macroeconomic and social environment resulting from the global health crisis and its impact on the Group's activity, as well as the main risk indicators and the different contingency plans and measures put in place to minimise negative impacts.

Faced with the existence of specific measures restricting mobility in certain parts of Spain, our domestic and main market, the **Annual General Meeting** was held with shareholders attending physically and remotely for the first time in its history. We also implemented the necessary preventive measures to protect the health of all individuals involved in its organisation and that of our shareholders who chose to physically attend the meeting at our Arteixo headquarters.

The Annual Corporate Governance Report for the 2020 financial year, available on our corporate website, provides full and detailed information on the Company's structure and governance practices¹.

¹ More information in section 2.6.3 "Good Corporate Governance" of this Statement on Non-Financial Information.

LINES OF ACTION IN ORDER TO BE A RESPONSIBLE AND SUSTAINABLE COMPANY

OUR APPROACH TO SUSTAINABILITY

At Inditex, we deem **sustainability** to be a **commitment to creating economic, social and environmental value** for all our stakeholders, to endeavour to bring about a positive impact and contribute to the development of wider society and contribute to the care for the planet. This **vision of sustainability** is inherent to the Company's corporate ethical culture and values, and is fully **integrated into our organisation's entire business model and activities**.

Our actions and decisions are based on the utmost respect for **Human and Labour Rights** throughout the value chain and compliance with the highest **environmental and health and safety standards**, all of which is in conjunction with transparency and ongoing dialogue with our stakeholders. But we also want to usher in an ambitious vision of sustainability, going beyond the requirement to fulfil these issues, and **ultimately geared towards advancing the fostering of a positive impact**.

For us, sustainability means the path that needs to be taken to achieve a **fairer society in balance with the limits of the planet**, which we must drive as a responsible company in cooperation with all our stakeholders. Furthermore, in the present context, we believe that sustainability is key to recovery and reconstruction after the pandemic.

Key features of our approach to sustainability

- **Holistic approach:** Integrating social and environmental aspects into our approach to sustainability by way of our commitment to:
 - The circular economy and decarbonisation, aligning with the Paris Agreement goals
 - The Sustainable Development Goals, aligning our strategy to the United Nations 2030 Agenda and, ultimately, the promotion and respect of Human Rights.
- **Corporate approach:** Commitment at all Company levels, beginning with the governing bodies. Thus, specific goals and targets are defined in order to develop our Sustainability Roadmap.
 - Inditex has a **Sustainability Committee**, which reports to the Board of Directors and is responsible for monitoring the sustainability strategy².
 - Inditex has established a **link between office employees variable remuneration and performance in terms of sustainability**.
- **Integrated approach:** sustainability is present in all our processes and decision-making, covering design, selection of materials and production processes, logistics management, stores, headquarters and all items that make up our value chain.

To secure sustainability integration, we have several policies and strategies steering our actions:

- Sustainability Policy.
- Inditex Policy on Human Rights.
- Diversity and Inclusion Policy.
- Corporate Citizenship Policy.
- Compliance Policy.
- Integrity Policies.

²More information in section 2.6.3 “*Good Corporate Governance*” of this Statement on Non-Financial Information.

- Forest Product Policy.
- Code of Conduct and of Responsible Practices.
- Code of Conduct for Manufacturers and Suppliers
- Product Health and Safety Standards: *Clear to Wear* (CtW), *Safe to Wear* (StW) and the I+ standards (IPLUS, *Inditex Precautions and Limits for Users' Safety*, including *I+ Cosmetics*, *I+ Food Contact Materials*, *I+ Home Fragrance & Candles*, *I+ Child Care Furniture*).
- *Green to Wear* (GtW) environmental standard.
- Strategy on social management of the supply chain: *Workers at the Centre 2019-2022*.
- Global Water Management Strategy, Global Energy Strategy, and Biodiversity Strategy.

These policies notably include our new Sustainability Policy.

Inditex's Sustainability Policy

The **Group's Sustainability Policy** comprises the principles adopted by the company in relations with its **stakeholders**, favouring the integration of sustainability practices within its business model, ensuring that its business activity is carried out with full respect for people, the environment and the community at large, based upon the commitment the company has made to respecting Human Rights and to sustainable development.

This **Sustainability Policy**, which was approved on **14 December 2020** by the **Board of Directors**, consolidates and builds upon the previous Corporate Social Responsibility Policy and Environmental Sustainability Policy, both of which were from 2015 and were recast into a single text.

More specifically, **the Policy includes:**

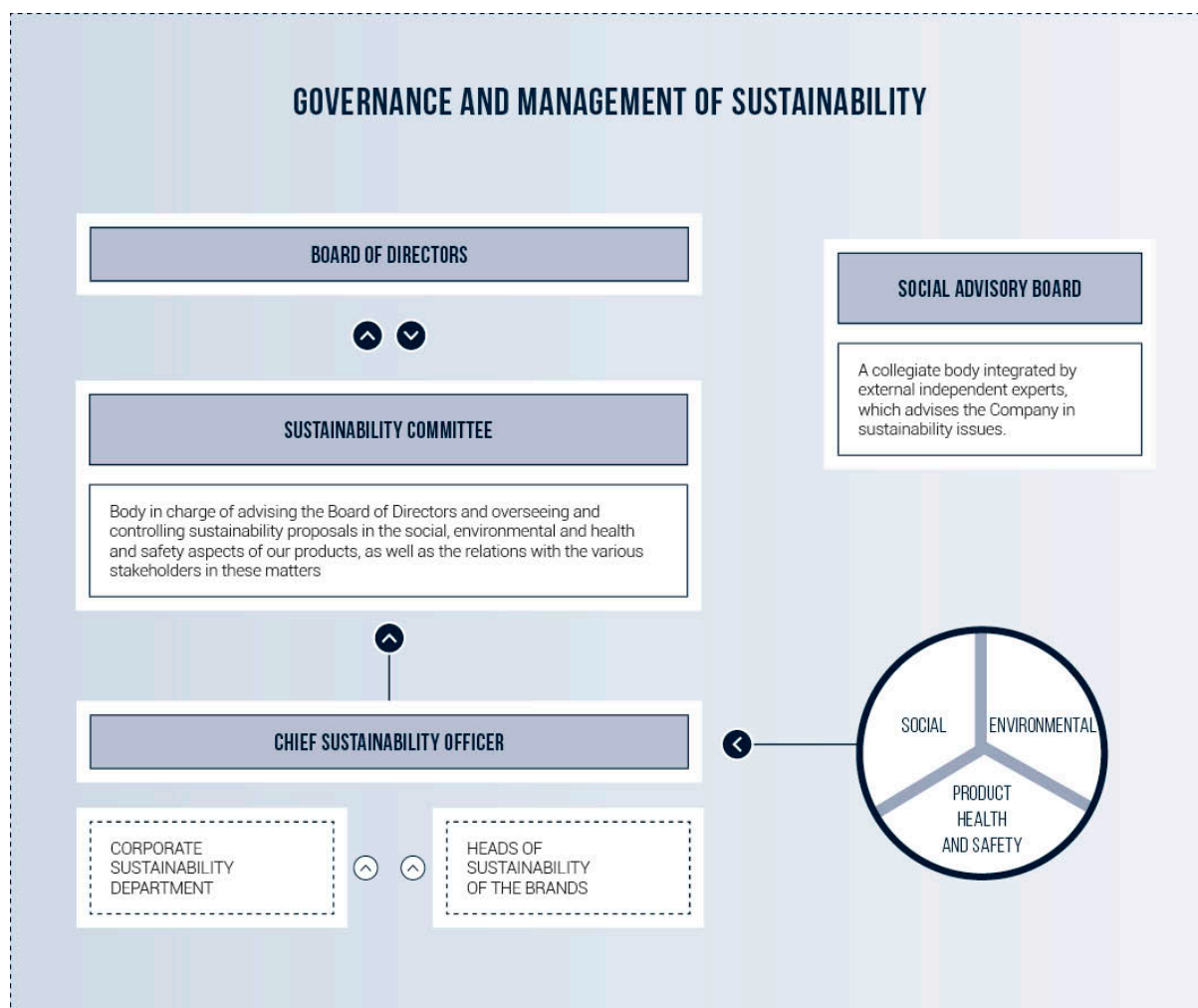
- **The principles that govern sustainability** in the Group.
- **The integration of sustainability into the business model** and the cornerstones upon which the organisation's value generation is established.
- **The Company's core stakeholders** and **the principles that govern our relationship** with each of them.
- **The principles upon which the communication of sustainability practices is established**, strengthening the ongoing dialogue and transparency as a cornerstone for relations with stakeholders.

Sustainability governance

Inditex has firm sustainability monitoring and advisory mechanisms³, as laid down in its Sustainability Policy. In this respect it is worth highlighting the Sustainability Committee, the delegated body of the Board of Directors responsible for monitoring and controlling sustainability proposals, as well as relations with the various stakeholders on matters of sustainability. Furthermore, the Group has a Committee of Ethics, an internal body reporting to the Board of Directors, that oversees compliance with the standards of conduct, and a Social Advisory Board, an external sustainability advisory body. The Audit and Compliance Committee – as the body responsible for overseeing and controlling the

³ More information in section 2.6.3. "*Good Corporate Governance*" of this Statement on Non-Financial Information.

effectiveness of the internal enterprise risk management systems – is entrusted with overseeing and assessing the risks arising from the Group's actions in relation to this Policy.

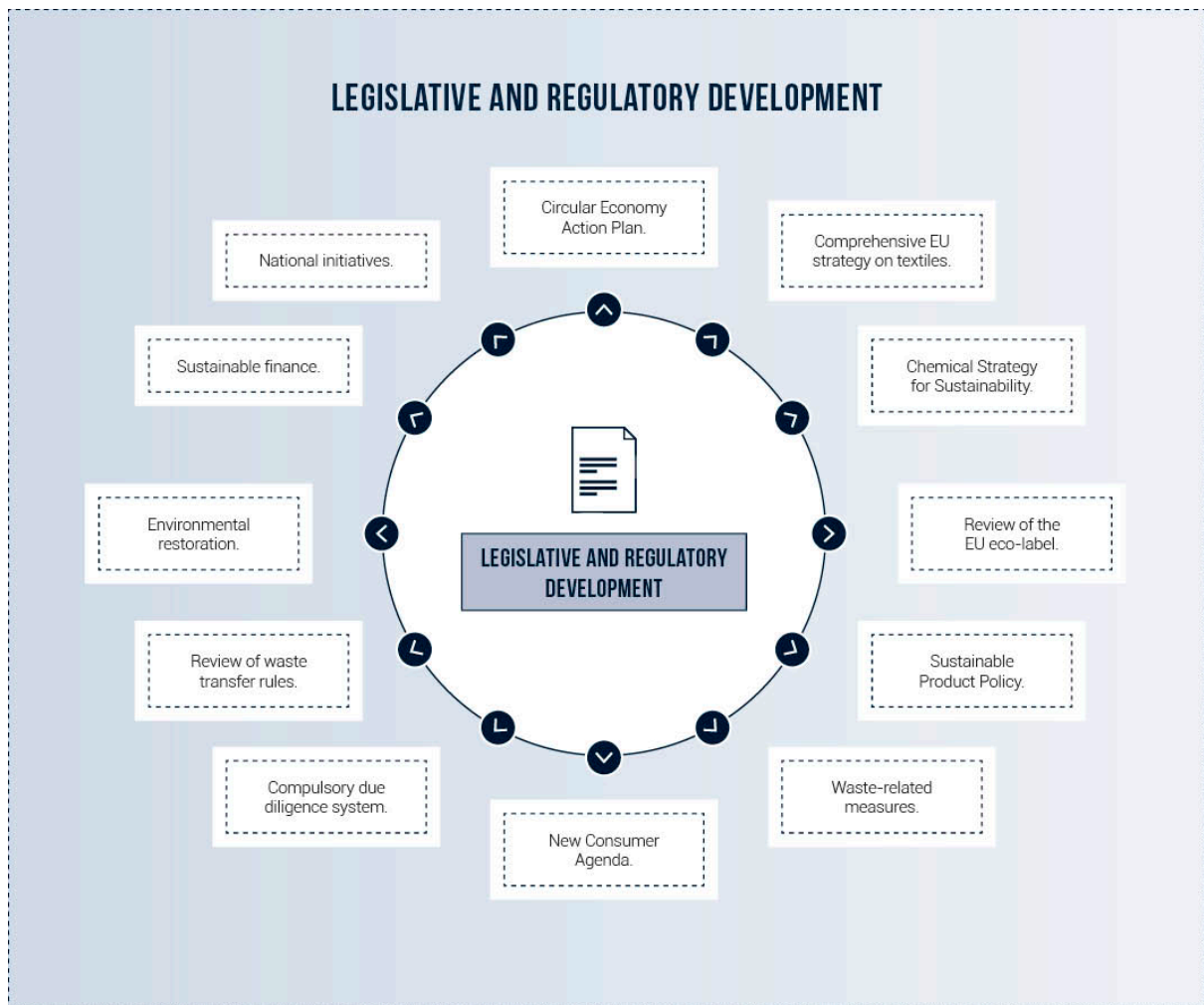


Sustainability, a demand of society

We are fully aware that sustainability has a leading role in the demands and concerns of all stakeholders. Our customers, employees, suppliers, investors, various organisations with which we collaborate and society as a whole expect us to act responsibly and sustainably, and to make ongoing progress towards creating economic, social and environmental value.

Collaboration and joint work with all stakeholders are key to being able to advance our sustainability goals and commitments. To do so, we establish partnerships and cooperate with different bodies, institutions and representatives of our various stakeholders.

In this sense, in recent years, legislative activity in the field of sustainability has become very important. Specifically, the textile sector is now the subject of a large number of legislative initiatives geared towards respect for Human and labour rights, the reduction of environmental impact and the drive for circularity, which encompasses the design of products, the use of raw materials and the management of waste, up to the recycling or reuse of products.



At Inditex, **we contribute our vision and experience** in debates on priority matters of sustainability, both collectively, through representative sector associations and with specific partnerships, as well as individually. Thus, we endeavour to **align positions** with all relevant stakeholders to speak with one voice and foster progress towards joint sustainable development.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

The date of 25 September 2020 was the five-year anniversary of the adoption of the United Nations Agenda 2030 for Sustainable Development. **Inditex committed itself to this Agenda from the outset and we align our sustainable strategy with it.** Throughout the past five years, we have made progress in contributing to its 17 Sustainable Development Goals (SDGs), although we are aware that ground remains to be covered to achieve the goals and their 169 targets.

Our commitment to the SDGs extends to all 17, although **there are certain goals in which our contribution is greater and more relevant**, due to the very nature of our business model and activity. These include SDG 3 (Good health and well-being), which is more relevant than ever due to the current situation, SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 12 (Responsible consumption and production), SDG 13 (Climate action) and SDG 17 (Partnerships for the Goals).



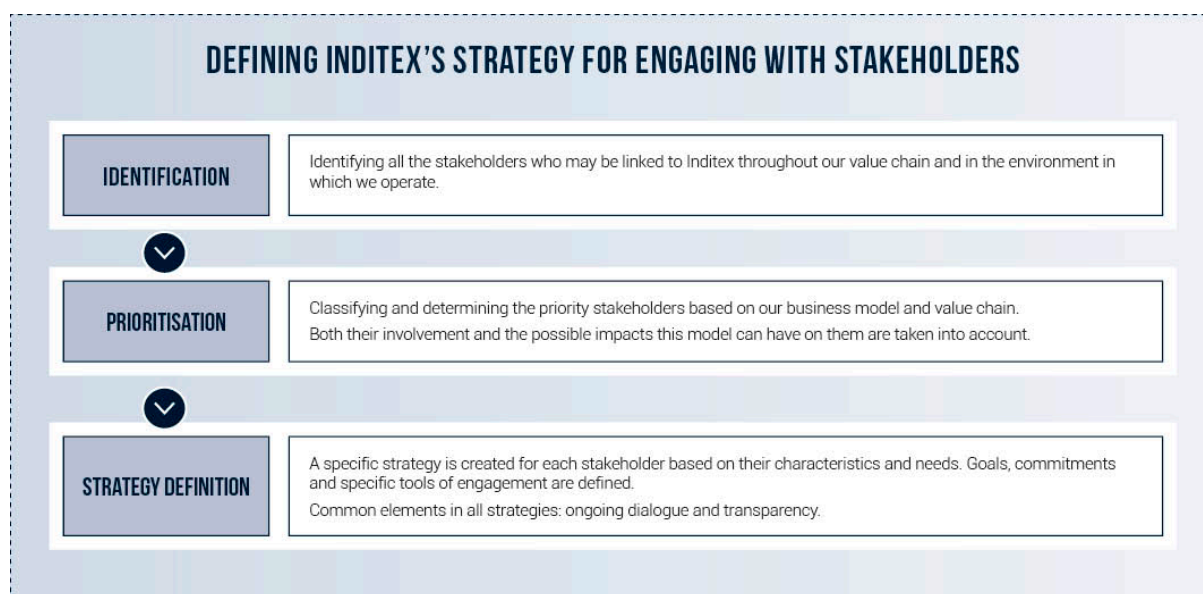
Agenda 2030 is even more relevant in the current context of the situation caused by COVID-19, since **the SDGs** represent a common point for meeting and agreement among all stakeholders involved in sustainability and **will be fundamental to the reconstruction of health, the economy and society following the crisis arising from this pandemic.**

In summary, in the framework of Agenda 2030, Inditex strengthens its commitment to **create economic, social and environmental value for all its stakeholders**, to generate the greatest positive impact and contribute to sustainable development.

MATERIALITY ANALYSIS

At Inditex, we firmly believe that listening to our stakeholders, meeting their demands and needs, and collaborating with them to progress together towards sustainable development and generate a positive impact is key for a responsible and sustainable company.

Our new Sustainability Policy⁴ reaffirms the principles of our relationship with stakeholders: ongoing dialogue and transparency. These are applicable to the relationship with all our stakeholders: our customers, employees, suppliers, shareholders, the wider community and social and environmental entities.



⁴ More information in section 1.2 “Our approach to sustainability” of this Statement on Non-Financial Information.

INDITEX'S MAIN STAKEHOLDERS AND RELATIONSHIP AND DIALOGUE TOOLS

INDITEX'S MAIN STAKEHOLDERS	EXAMPLES OF STAKEHOLDERS	RELATIONSHIP AND DIALOGUE TOOLS		FREQUENCY	OUR COMMITMENTS		INDITEX VALUE CREATION MODEL
		SHARED TOOLS	SPECIFIC TOOLS		SHARED	SPECIFIC	
EMPLOYEES Any person who works for the Inditex Group, whether in stores, offices or logistics centres.	Store staff Office staff Logistics centre staff Trade union representatives	SUSTAINABILITY COMMITTEE MATERIALITY ANALYSIS SOCIAL ADVISORY BOARD STRATEGIC PARTNERSHIPS CORPORATE WEBSITE ANNUAL REPORT	Ethics Committee UN Global Compact Agreement Training and internal promotion Internal communications Volunteering programmes Information Security and Data Protection & Privacy Departments	On request Ongoing dialogue Ongoing dialogue Ongoing dialogue Ongoing dialogue Ongoing dialogue		Respect for human and labour rights Fair and decent treatment Data protection and privacy Commitment with information security	PROTECT DRIVE DEVELOP COLLABORATE
CUSTOMERS Any person who purchases a product sold by any of the Inditex Group's brands.	Store customers Online customers Potential customers		Teams specialised in customer care Stores and online stores Social networks Information Security and Data Protection & Privacy Departments	On request Ongoing dialogue Ongoing dialogue On request		Clear and transparent communication Integration into the entire business model Responsible design and manufacturing Data protection and privacy Commitment with information security	
SUPPLIERS Companies that are part of Inditex's supply chain as well as their respective employees.	Direct suppliers Manufacturers Employees Trade union organisations International organisations		Supplier clubs Ethics Committee Commercial and sustainability teams Framework Agreement with Inditex/LL Global Union Privacy and Data Protection Department	Ongoing dialogue On request Ongoing dialogue Ongoing dialogue Ongoing dialogue		Protection and promotion of Human Rights, fundamental labour rights and international standards Protection of sustainable production environments A service provision with respect for privacy and personal data protection	
COMMUNITY All people or entities that are part of the environment in which Inditex carries out its activities.	NGOs Governments and public administrations Academic institutions Civil society Media		Social Advisory Board Cooperation with NGOs Sponsorship and Patronsage Committee	Biannual Ongoing dialogue Biannual		Contribution to social and economic development Commitment to improving global welfare	
ENVIRONMENT The natural elements in the locations where Inditex operates.	Environmental protection organisations Governments		Social Advisory Board Commitments with NGOs Environmental sustainability teams	Biannual Ongoing dialogue Ongoing dialogue		Respect for the environment Biodiversity conservation Sustainable management of resources Combating climate change	
SHAREHOLDERS Any person or entity that owns Inditex Group shares.	Institutional investors Private investors		General Shareholders' Meeting Sustainability Indexes Relationship with investors	Annual Annual Ongoing dialogue		The interests of the company and the shared interests of all the shareholders Promoting interested participation	

One of the main tools we use to discover our stakeholders' needs and expectations is the **materiality analysis**. We use this analysis to **identify the issues that are most relevant** to them, known as material topics, and which allow us to determine priorities for progressing the creation of economic, social and environmental value. Thus, this analysis enables us to **ensure that our sustainable strategy is aligned with our stakeholders' expectations**. In parallel, this identification and prioritisation of material topics serves to enable us to determine the contents of our Statement on Non-Financial Information and Annual Report. Accordingly, our reports reflect the significant economic, environmental, and social impacts of the organisation and those that have a substantial impact on our stakeholders' assessments and decisions.

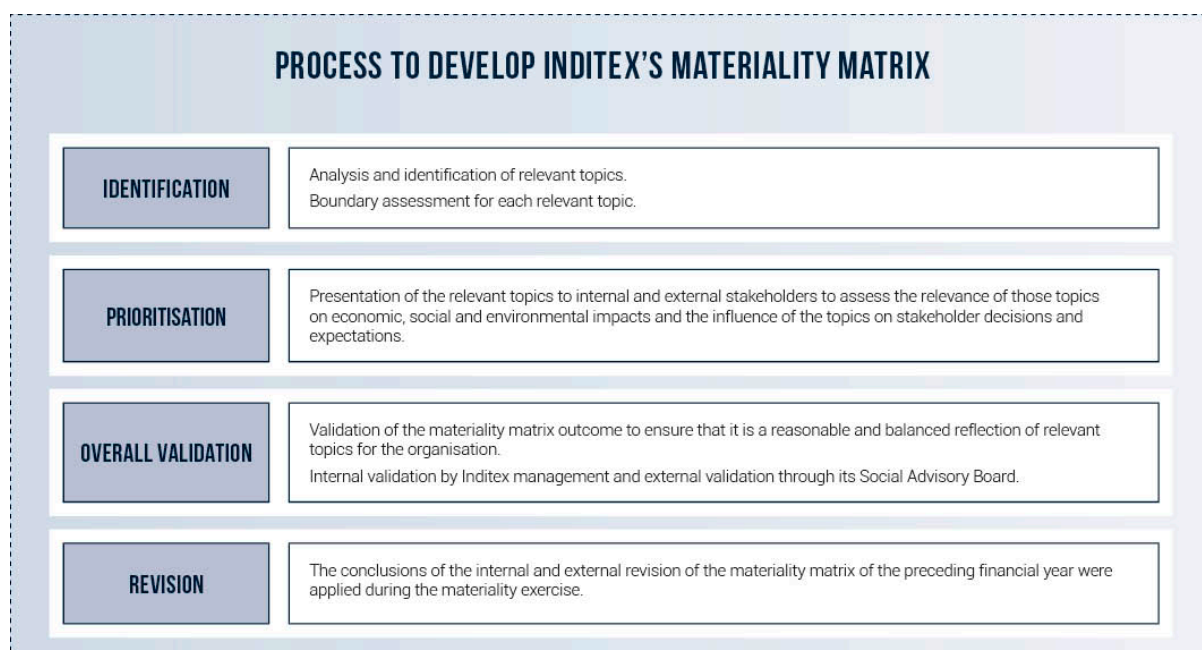
2020 was the tenth consecutive year in which we carried out this exercise of identifying and prioritising material topics in collaboration with our stakeholders (both internal – our employees – and external). **This year we have extended the scope of the external stakeholders that have been involved**, in order to obtain a greater representation of all those with which we relate. Thus, a total of 104 external organisations participated in this year's analysis.

CORE STAKEHOLDERS INVOLVED IN THE INDITEX MATERIALITY ANALYSIS

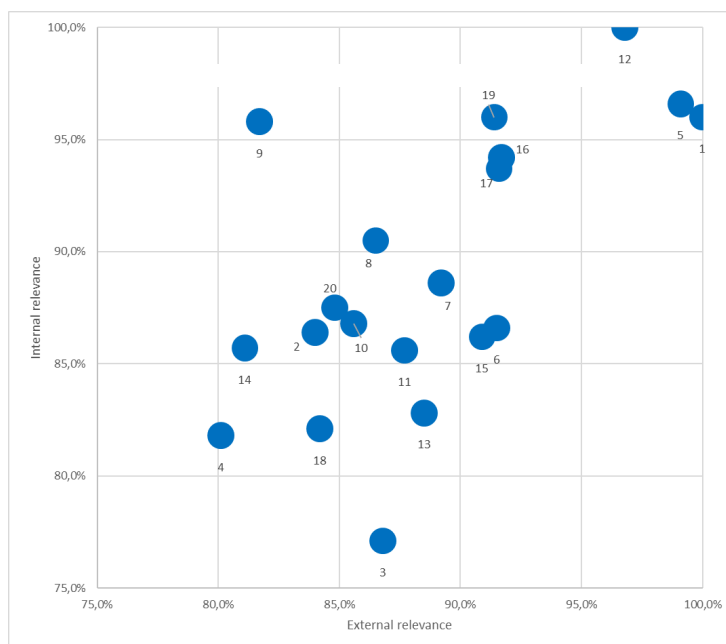


It is worth noting the participation of our Social Advisory Board in conducting the materiality analysis, as a collegiate body made up of external independent experts that advise the Company on sustainability issues.

The process to identify material topics and determine their scope is based upon the recommendations laid down in *Global Reporting Initiative* (GRI) standards, namely in “GRI 101: Foundation 2016”. In order to identify the relevant issues, we consider, among other factors, whether or not the company may have an impact on them in the short, medium and long term. In order to prioritise them, the identified issues are presented to various internal and external stakeholders, which assess their relevance.



This results in a materiality matrix that reflects 20 material topics represented based on their relevance to internal and external stakeholders. The number of material topics has been reduced from 32 to 20 since an exercise has been carried out this year to group matters into major material subjects, in order to obtain greater differentiation in prioritisation. Consequently, each of the 20 resulting material topics includes different subtopics that are also considered when assessing their materiality.



No.	Material topic	Subtopics
1	Ethical behaviour and governance	Sustainable corporate governance
		Corporate ethics
		Regulatory compliance and responsible practices
		Anti-corruption
		Grievance mechanisms
2	Risk management and control systems	Financial risk management and control systems
		Non-financial risk management and control systems
		Cybersecurity
3	Stakeholder engagement	Stakeholder commitment
		Transparency and continuous dialogue
		Alliances and partnerships
4	Responsible Communication	Responsible communication and marketing
		Product information and labelling
		Brand management
5	Value chain transparency and traceability	Raw material traceability
		Process traceability
		Transparency
6	Responsible purchasing practices	Supplier relations
		Responsible purchasing training and commitment
7	Value creation	Financial performance
		Socio-economic impact on society
		Tax contribution and tax transparency
		Community Investment
8	Innovation	Digitalisation
		Innovation in sustainability

		Process innovation	
9	Customer orientation	Sales practices	
		Shopping experience	
10	Diversity, equality and inclusion	Diversity	
		Equality	
		Inclusion	
11	Quality of employment	Employment	
		Remuneration	
		Labour relations	
12	Human Rights	Human Rights Strategy	
		Due diligence procedures	
13	Safe and healthy environments	Work centres	
		Supply Chain	
		Commercial spaces	
14	Talent management	Talent attraction	
		Talent development	
		Talent retention	
15	Socially sustainable production environments	Worker wellbeing	
		Industrial relations	
		Living wages	
		Women empowerment	
16	Climate change	Decarbonisation	
		Energy management	
		Emissions	
17	Environmental footprint minimisation	Water usage	
		Waste management	
		Management of chemical substances and sustainable processes in manufacturing	
18	Protection of natural resources	Biodiversity	
		Animal welfare	
19	Product sustainability	Sustainable raw materials	
		Product Quality, Health and Safety	
20	Circularity	Eco-design	
		Packaging	
		Recycling	

Inditex has always followed the main and most innovative reporting trends, and this includes when conducting its materiality analysis. For this reason, in 2020, we began a process to assess the inclusion of the concept of double materiality (combining the approaches of financial materiality and materiality based on the impact of the company on sustainability to identify and prioritise material topics), to incorporate this practice in future reporting exercises.

LINES OF ACTION

Since we are a responsible and sustainable company, this year our activity has revolved around four lines of action aimed at all our stakeholders: protect, drive, develop and collaborate. These lines of action have driven our performance throughout the year, allowing us to make progress toward building value in our environment.



PROTECT



DRIVE



DEVELOP



COLLABORATE

This Statement on Non-Financial Information is structured in four large sections in accordance with such lines of action.

2. PROTECT

Our customers, our people, the communities in which we carry out our business and our investors. They all expect much more than a fashion product from us, they expect ethical behaviour, strong corporate governance: with solid risk management and control systems in place; that we generate a social-economic impact on society; that we ensure our employment is of a quality standard; that respect for human rights is a vital axis and that we protect the planet.

2.1 RESPONSE TO THE GLOBAL CHALLENGES ARISING FROM COVID-19

Related issues: *Safe and healthy environments; Value creation, Stakeholder engagement*



2.1.1 The health, safety and well-being of our people

Since the outbreak of the COVID-19 virus, we have continuously monitored its impact and its potential short- and medium-term effects. Our first concern has always been to guarantee the health and well-being of our employees, customers and all the people who, directly or indirectly, provide us with services or goods, necessary for the normal operation of our Company.

a) Care for our people in the face of COVID-19

At Inditex we work to protect the health and safety of our people, and even more so in this difficult context. For this reason, we have activated a series of measures to safeguard the health and safety of our employees, trying as far as possible to maintain the continuity of our operations. We have therefore worked on the following aspects:

- Definition of preventative measures and protocols to be implemented in the different work centres and markets.
- Standardisation and adaptation of our staff's work processes.
- Monitoring the effective application of preventative measures to protect the health of our workforce.
- Regular information provided to employees on the prevention measures indicated in the corporate protocols and/or by health authorities and other local authorities, the evolution of the pandemic, etc.
- Creation and consolidation of emergency management committees led by the management of each business unit.
- Collection of data on the epidemiological situation and monitoring of the impact of COVID-19 on our employees.

- Update of our protocols based on the information published and verification of their adaptation at all times to the applicable standards and guidelines issued by the different competent authorities in the different markets.

Hygienic, technical and organisational measures

In the early stages of the health crisis, one of our main objectives was to protect the health of those employees who needed to continue providing essential services, making the necessary measures for working remotely available to the rest of the employees.

Then as reopening began to develop, other measures were activated to manage the return of our employees to their jobs in an orderly and secure manner, and new working methods were established.

We have launched a global contingency plan at our work centres to protect our employees against the potential risks of contagion and spread of the virus, which includes different preventative, organisational and health coordination measures, applicable according to the seriousness of the different scenarios.

(i) Hygienic measures:

Hygiene guidelines and personal protective material have been distributed, while the compulsory use of a face mask has been established. In addition, disinfection and cleaning plans have been developed, including cleaning and disinfection measures for surfaces and work equipment, which are duly monitored.

(ii) Technical measures:

- New adjustments in the HVAC systems to ensure the exterior air renovation and increased airflow.
- Building access controls and body temperature checks in several markets.
- Actions to guarantee the maintaining of social distancing, in accordance with the legal framework of each market, backed-up with isolation measures, such as the installation of separation screens.
- Measures to avoid contact with certain surfaces (such as non-contact water source mechanisms) or restrictions on access and/or use.
- New signposting in the work centres, with in-store safety instructions for our customers.

(iii) Organisational measures⁵:

- Work shifts have been adapted and the hours of arrival, departure or break times of our employees have been made more flexible to reduce concentrations of people.
- Restrictions on visits, trips and participation in events.
- Work procedures have been developed to reduce the duration, frequency and intensity of exposure to risk.

⁵ For more information, see section 2.3.1. “*Organization of work*” of this Statement on Non-Financial Information.

- We have established a teleworking option for certain positions and/or Group activities that, due to their characteristics, can be carried out remotely, and formulas have been established to combine face-to-face and remote work.
- Strengthening of technical and safety personnel to monitor and control compliance with the various measures implemented in relation to COVID-19, as well as medical service personnel.
- In the offices and logistics centres, a wide variety of measures have been put in place to create safe common spaces and areas (mainly in kitchens and rest areas), such as reducing capacities, signposting distances, removing furniture to ensure social distancing and/or facilitate the transit of people and, in some cases, the installation of protective screens.
- Installation of protective screens in most workspaces.
- Prioritisation of videoconferencing and other telematic applications and a reduction in the number of events in meeting rooms.
- Adaptation to the new regulations on smoking areas, removing them from the doors and passage areas and guaranteeing compliance with social distancing in all cases.

Monitoring of COVID-19 health measures

The work of compiling national and international publications related to COVID-19 protective measures or general workplace hygiene measures, such as information published by the WHO or the International Labour Organisation (hereinafter also "ILO"), as well as the monitoring and analysis of the vast array of regulations emanating from the crisis from the local competent authorities have all been key in the implementation of this contingency plan.

To check the correct application of the different measures, a system has been established to monitor compliance with the COVID-19 protocols implemented, which must be followed in the different work centres. This system has been incorporated into the ISO 45001 management system, subject to a continuous improvement process.

COVID-19 Audits	2020
Europe	2,110
Americas	103
Asia and Rest of the World	207

In addition, constant monitoring and analysis of epidemiological developments is being carried out, in order to prevent and successfully address any impacts.

During 2020, training was given to our employees in all markets and other informative actions were carried out on the various COVID-19 related measures.

COVID-19 training	Training hours 2020
Europe	23,616
Americas	2,252
Asia and Rest of the World	768

Additionally, surveys have been conducted with our store employees in all markets, to assess their appreciation of the anti-COVID-19 measures implemented.

b) Health and safety protection

At Inditex we have an Occupational Health and Safety Policy, the latest version of which was approved by the Board of Directors at its meeting of 10 September 2019. This standard states that the Company "*firmly believes that workplace health and safety fosters and increases productivity and guides the way the Company carries out its business activities.*"

During 2020, the ISO 45001:2018 Certificate, the highest international standard on Occupational Health and Safety Management Systems, was consolidated in the commercial and design companies of 16 markets. In addition, progress has been made in the transition towards the standard both in manufacturing and logistics companies in Spain, and in commercial activities in China, Russia, Canada, Romania, Argentina, Uruguay, Slovenia, Luxembourg, Montenegro and Serbia with the objective of obtaining this certification in 2021, as well as the logistics activity of the Cajamar Distribution Centre in Brazil.

Emergency management

With the aim of maintaining active management of the risks that can occur at any work centre, and in line with our precautionary principle-based philosophy, the company has designed, developed and **implemented Emergency and Evacuation Plans and Self-Protection Plans**, which establish the organisational and functional criteria for the different installations, with the aim of **preventing, controlling and providing an appropriate response to any potential risks, from their onset, arising from emergency situations**, which can occur and cause damage to people and/or their property.

Through these plans, we comply with the applicable regulatory requirements on matters of occupational risk prevention, occupational health and safety, as well as the internal requirements established by the Group for work centres.

In short, these Emergency and Evacuation Plans and Self-Protection Plans include the preventative and control actions necessary, as well as the protection measures and other actions to be taken in the event of emergencies.

The following actions were carried out during the last three financial years:

- Financial year 2020:

	Self-protection Plan	Emergency and Evacuation Plan	Emergency and Evacuation Plan
Chain		New	Existing update
Bershka		14	10
Massimo Dutti		4	7
Oysho		1	12
Pull&Bear		7	46
Stradivarius		21	11
Uterqüe		1	2
Zara	2	22	83
Zara Home		1	7
TOTAL	2	71	178

- Financial year 2019:

	Self-protection Plan	Emergency and Evacuation Plan	Emergency and Evacuation Plan
Chain	New	New	Existing update
Bershka		10	8
Massimo Dutti		13	8
Oysho		12	
Pull&Bear		18	26
Stradivarius		21	2
Uterqüe		1	3
Zara	1	29	28
Zara Home		4	
TOTAL	1	108	75

- Financial year 2018:

	Self-protection Plan	Emergency and Evacuation Plan	Emergency and Evacuation Plan
Chain	New	New	Existing update
Bershka		10	8
Massimo Dutti		13	8
Oysho		12	
Pull&Bear		18	26
Stradivarius		21	2
Uterqüe		1	3
Zara	1	29	28
Zara Home		4	
TOTAL	1	108	75

Emergency, Self-protection and Evacuation Plans

Market	2020	2019	2018
Spain	246	184	322
Albania	41	33	38
Argentina	11	11	11
Australia & New Zealand	19	2	0
Austria	25	23	24
Belarus	0	0	25

Belgium	0	3	0
Bosnia and Herzegovina	4	16	13
Brazil	7	2	0
Bulgaria	35	40	39
Canada	0	0	43
Chile	1	0	13
Croatia	3	10	43
Denmark	0	0	17
Finland	0	0	8
France	378	300	0
Germany	122	138	0
Greece	164	166	165
Hungary	39	39	39
India	0	0	0
Ireland	20	0	13
Italy	70	285	287
Japan	4	3	3
Kazakhstan	2	36	80
Luxembourg	0	12	0
Macedonia	0	5	5
Mainland China	167	164	0
Mexico	315	116	38
Montenegro	0	2	0
The Netherlands	0	0	0
Norway	0	1	8
Poland	245	248	238
Portugal	18	0	0
Czech Rep.	22	0	24
Romania	143	0	10
Russia	124	0	123
Serbia	23	0	26
Slovakia	16	16	16
Slovenia	16	5	40
South Africa	0	0	9
South Korea	40	46	1
Sweden	2	0	0
Switzerland	40	0	0
Turkey	229	0	15
Ukraine	0	0	0
United Kingdom	14	0	49
Uruguay	4	0	4
USA	16	0	2

- Other emergency management activities are summarised in the following tables:

Financial year 2020	
Work Centre	Description
Industria de Diseño Textil S.A.	Laracha logistics centre evacuation drill
Factories	Evacuation drill
Bershka	Event Report New Collection SS20
Indipunt	Evacuation drill
Pull&Bear Logística	Update of the Self-protection Plan and Drill
Meco Logistics Platform	Update of the Self-Protection Plan
Tordera offices (all chains)	Drill Procedure Report
Oysho Logística	Drill Procedure Report

Financial year 2019	
Work Centre	Description
Pull&Bear Logística	EEP (WORKS) Narón Provisional Canteen
TEMPE, S.A.	Emergency Intervention Teams face-to-face course
Pull&Bear	Event (Fundación El Instante)
Industria de Diseño Textil, S.A.	EEP and implementation <i>Talent Centre Inditex Barcelona</i>
Industria de Diseño Textil, S.A.	EEP and implementation <i>Talent Centre Inditex Madrid</i>
Europe Platform	Platform Evacuation Drill
Meco Platform	Platform Evacuation Drill

Prevention of Musculoskeletal Injuries

With regard to the prevention of musculoskeletal injuries, at Inditex we carry out a **permanent assessment of the ergonomic conditions related to physical load work** in the tasks performed at the work centres by our employees and by third parties that carry out their activities in them. Through this assessment, and with an exclusively preventive focus, we identify those tasks that involve manual load handling, forced postures and repetitive tasks in order to plan preventive actions on ergonomic conditions, aimed at protecting the health of workers.

To do this, we provide initial training to all the workers in our logistics centres and stores to prevent musculoskeletal injuries.

During 2020 theoretical and practical training sessions were held to improve body awareness in the various tasks performed, and a postural analysis of ergonomic improvement was performed, using a sensor suit, and a study of postures and movements with greater ergonomic risk within the different tasks performed by logistics operators and stores, which has affected more than 11,000 workers.

Promoting well-being

At Inditex we consider the promotion and protection of the health, safety and well-being of all employees to be a priority. During 2020, the Group companies in Spain, Italy, the United Kingdom and Ireland maintained the **Healthy Workplace certification**. Based on the World Health Organization's model, this distinction identifies a transversal approach to Health and Safety management in physical and psychosocial aspects, in the resources allocated to workers' health, and their participation in the community. We also continue the objective of including Group companies in Japan, Greece, Portugal, Mexico, China and Croatia in this certification in 2021.

In 2020 we also made progress in the establishment of new **Welfare Committees in all the Group's markets and chains** with the aim of being fully operational in 2021. These are **transversal bodies for the promotion and coordination of different initiatives and actions for the well-being of people**, in such varied aspects as diversity, equality, health promotion, inclusion, reconciliation, mental and psychosocial health, working hours, food, ergonomics, workspaces, sporting activities, employee mobility, events and social actions (world days and employee participation in the community).

Taking into account the special circumstances of the moment, in 2020 we celebrated World Day for Safety and Health at Work with the slogan "A healthy attitude towards COVID-19." This global awareness campaign involved all the markets in which Inditex operates and all the Group companies in Spain.

The Group also has the InHealth portal dedicated to promoting health and healthy habits for Group employees, through news, actions or challenges adapted to their working environment, with the aim of raising awareness on the importance of maintaining a balance between body, mind and emotions. Currently, this portal is available in 19 markets after its launch in 2020 in mainland China, Albania, the Netherlands and Russia. We also hope to launch it in Japan and Brazil in 2021. This platform receives more than 67,000 visits per year.

c) Health and safety indicators

In 2020, we collected information on accidents among the activities carried out in logistics, stores, offices and manufacturing. Among the risk studied were falls, at the same and different levels, as well as sprains or strains due to overexertion in the activity. We are working on corrective preventive measures, such as those outlined in the previous point.

For the analysis of health and safety indicators, we consider an occupational accident to be any bodily injury that the worker suffers occasionally or as a result of the work that he/she performs as an employee; and occupational disease is considered to be that contracted as a result of work performed as an employee in the activities specified in the professional illnesses chart of the activity, according to the local legal framework. This disease must originate from the action of elements or substances indicated in this table for each occupational disease.

In 2020, we registered six cases of occupational accident with a recovery period of more than 180 days in Spain and no serious accidents in the rest of the markets, qualifying as such pursuant to this yardstick or the applicable local one. On the other hand, no deaths resulting from a work-related injury or accident in any of the markets where the Group operates have been recorded.

Accident rates:

- Financial year 2020⁶:

SPAIN

Own stores

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	14.08	14.81	1.08
Men	12.17	12.88	1.6

Logistics Centres

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	68.99	72.38	1.24
Men	81.55	76.80	1.18

Own factories

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	8.40	6.93	1.14
Men	0.00	0.00	0.00

Headquarters

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	2.68	1.77	0.38
Men	2.50	1.4	0.47

EUROPE⁷

	Incident Rate1	Frequency Rate2
Women	13.06	14.76
Men	15.31	17.29

ASIA AND REST OF THE WORLD⁸

	Incident Rate1	Frequency Rate2
Women	4.50	3.73
Men	4.00	3.26

AMERICAS⁹

	Incident Rate1	Frequency Rate2
Women	40.86	45.84
Men	31.20	34.20

[1] Incident rate with leave= (No. accidents with leave *1,000) / Average No. employees

[2] Frequency rate= (No. accidents with leave *1,000,000) / No. hours worked

[3] Severity rate= (Days of leave*1,000) / No. hours worked

⁶ Implementation in progress in Systems to report the severity rate data within the following scopes: Europe, Americas, Asia and rest of the world

⁷ Germany, Belgium, Croatia, France, Greece, Italy, Poland, Portugal, the United Kingdom, Romania, Russia, Serbia, Switzerland and Turkey.

⁸ Australia, South Korea, Japan, mainland China and South Africa.

⁹ Argentina, Canada, Chile, United States, Mexico and Uruguay.

Occupational diseases:

SPAIN

	Logistics Centres	Stores Own	Own Factories
Women	4	1	2
Men	10	0	0
REST			
	Europe	Asia & ROW	Americas
Women	21	0	23
Men	3	0	11

- Financial year 2019:

SPAIN

Own stores

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	19.28	10.71	0.19
Men	13.31	7.39	0.15

EUROPE

	Incident Rate1	Frequency Rate2
Women	20.80	17.50
Men	17.30	13.50

Logistics Centres

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	100.45	55.80	1.58
Men	107.94	59.97	1.53

ASIA AND REST OF THE WORLD

	Incident Rate1	Frequency Rate2
Women	3.50	2.60
Men	2.80	2.00

Own factories

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	58.12	32.29	0.99
Men	64.91	36.06	1.88

AMERICAS

	Incident Rate1	Frequency Rate2
Women	17.90	13.00
Men	15.40	10.70

Headquarters

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	3.51	1.95	0.03
Men	2.48	1.38	0.00

[1] Incident rate with leave= (No. accidents with leave *1,000) / Average No. employees

[2] Frequency rate= (No. accidents with leave *1,000,000) / No. hours worked

[3] Severity rate= (Days of leave*1,000) / No. hours worked

Occupational diseases:

SPAIN

Own Stores

	Logistics Centres	Stores Own	Own Factories
Women	10	1	9
Men	9		0

- Financial year 2018:

SPAIN

Own stores

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	18.00	14.70	0.41
Men	20.70	14.60	0.25

EUROPE

	Incident Rate1	Frequency Rate2
Women	19.30	16.90
Men	17.00	14.70

Logistics Centres

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	107.80	70.90	1.96
Men	126.50	78.80	1.65

ASIA AND REST OF THE WORLD

	Incident Rate1	Frequency Rate2
Women	6.70	5.40
Men	3.50	2.80

AMERICAS

Own factories

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	73.80	53.60	1.82
Men	167.70	102.00	3.00

	Incident Rate1	Frequency Rate2
Women	12.00	9.10
Men	11.40	8.50

Headquarters

	Incident Rate1	Frequency Rate2	Severity Rate3
Women	3.20	1.80	0.05
Men	2.20	1.20	0.07

[1] Incident rate with leave= (No. accidents with leave *1,000) / Average No. employees

[2] Frequency rate= (No. accidents with leave *1,000,000) / No. hours worked

[3] Severity rate= (Days of leave*1,000) / No. hours worked

Accidents involving employees of external companies:

Market	2020
Spain	5
Germany	3
Russia	1

In FY 2020, the total number of hours of absenteeism due to temporary disability corresponded to 96%¹⁰ of Group employees (including all the employees from logistics, world stores and offices in Spain) stood at 10,761,715 (10,275,537 hours in 2019, corresponding to 92% of employees and 9,107,205 hours in 2018, corresponding to 83% of employees).

The total number of hours worked during FY 2020, corresponding to 92% of Group employees (including all the employees from logistics, world stores and offices in Spain) was 132,302,227 hours.

2.1.2 Protecting workers in the supply chain

The health emergency has entailed common challenges in the social management of the global textile supply chain. However, the intensity of its impact has differed in each market. At Inditex, we have articulated our response to these challenges in the supply chain under four pillars, using as a conceptual reference the *UN Framework for the Immediate Socio-Economic Response to COVID-19*.

¹⁰ The information corresponding to the remaining 4% is not available.

For Inditex, **fostering of and respect for Human and Labour Rights** of workers in the supply chain is fundamental. In light of the situation arising due to COVID-19, **our focus on the worker** has not changed, rather it has been strengthened and consolidated.



a) **Health first**

In response to the health crisis, at Inditex, we launched a strategy to strengthen health protection in our supply chain, which is aligned with the strategy on occupational health and safety already included in the “*Workers at the Centre 2019-2022*” strategic plan¹¹. This strategy has enabled us to structure a **swift global response on an especially relevant matter: health**.

In that respect, from the outset of the crisis, we developed this global response strategy for our supply chain to **support our suppliers and manufacturers** and assist them in implementing specific measures geared towards **preventing COVID-19** in the workplace.

¹¹ More information on our “*Workers at the Centre 2019-2022*” strategy in section 3.6.1 of this Statement on Non-Financial Information.



The work carried out by our internal teams has been crucial to the implementation of this strategy. At Inditex, we gather national and international publications related to the preventive measures to combat COVID-19 as well as general hygiene measures in the workplace. Benchmarks for these measures include, among others, information published by the WHO, the International Labour Organization, the US Department of Health & Human Services, the Canadian Centre for Occupational Health and Safety, and the National Health Service of the United Kingdom. Some of the reference materials used include the guidelines published by the WHO on *Immunization Coverage* and *Getting your workplace ready for COVID-19*, and the US Department of Labor's *Guidance on Preparing Workplaces for COVID-19*. This material has enabled us **to draw up practical implementation guidelines to facilitate the correct application of the necessary measures and to protect workers' health**. Furthermore, these guidelines have served as background material for training our suppliers and manufacturers.

This analysis, the compilation of publications and the preparation of background materials were key to developing our strategy, as they helped us to contrast varying approaches to a common challenge and to lay down priorities in our actions.

Our involvement in organisations such as ACT (Action, Collaboration, Transformation) (hereinafter, “ACT”) and the Bangladesh Accord (Accord on Fire and Building Safety in Bangladesh), which have addressed this issue on their agenda, has also allowed us to respond to this health crisis with a collaborative approach at industry level.

INFORMATION

No. of suppliers and factories directly informed	1,436
No. of workers reached	1,587,693

The first cornerstone of our strategy is to ensure that our suppliers and manufacturers have both the regulations and the information drawn up by the relevant national authorities on the health prevention measures that must be applied in their workplaces.

In this sense, we communicate directly, providing this information to suppliers and manufacturers in our supply chain in Bangladesh, Cambodia, India, Morocco, Myanmar, Pakistan and Portugal. These communications have enabled us to highlight **the importance of implementing the necessary health protection measures in the workplace**, in line with the requirements expressly laid down in relation to COVID-19 and with the provisions of our Code of Conduct for Manufacturers and Suppliers. We also underline **the importance of keeping up-to-date with new publications by public authorities** on applicable requirements and recommendations, given the high uncertainty in this area during the beginning of the crisis.

In particular, the Accord – in collaboration with its signatory brands – has compiled information on COVID-19 preventive measures implemented in the factories in Bangladesh. Furthermore, the detection and reduction of health risks in working environments has been facilitated by the workers directly notifying possible incidents through this organisation's claims and complaints channel.

ASSESSMENT

No. of suppliers and factories assessed	429
No. of assessments conducted	574
No. of workers reached	554,733

The second cornerstone of the strategy is based on a set of **assessment and self-assessment mechanisms** specifically designed by our teams on this matter. Thanks to these mechanisms we can **verify the implementation of the necessary preventive measures**. Assessments are geared towards verifying measures implemented in working environments related to respiratory hygiene, social distancing, disinfection of surfaces, symptom control and procedures for action on suspicion of positive cases, in addition to other aspects related to the disease. Self-assessments and assessments – adapted to the requirements laid down in each country – are conducted based on this common ground of aspects to be verified.

For instance, self-assessments were conducted by manufacturers and suppliers in our supply chain in Bangladesh, India, Morocco, Pakistan, Portugal and Turkey. These self-assessments have been an especially important tool at this time, since **they enable us to uphold support for suppliers and verify the conditions in our supply chain**, while limiting the presence of external staff in the working environments.

Similarly, a pilot project was also carried out in Morocco with combined health verification and production traceability visits. This pilot followed on from the self-assessments carried out and allowed online monitoring platforms to be trialled for monitoring health conditions in factories due to COVID-19.

IMPROVEMENT

No. of suppliers and factories trained	301
No. of improvement plans drawn up	34
No. of workers reached	169,845

Training given to our suppliers and manufacturers has been key to the correct implementation of health prevention and protection measures. In this sense, we conduct **training sessions** directly or in collaboration with other organisations **to support our suppliers and manufacturers, thus, to achieve a healthier working environment**. In 2020, training sessions were conducted in China directly by our team, in Portugal with the *Universidade do Minho*, in Vietnam with TDT University and in India and Turkey, in collaboration with national consultancy firms. All the trainings were given online, except for training in Vietnam, conducted at a specialised health and safety centre.

Moreover, the supporting initiatives under this strategy include **monitoring and the establishing of improvement plans**.

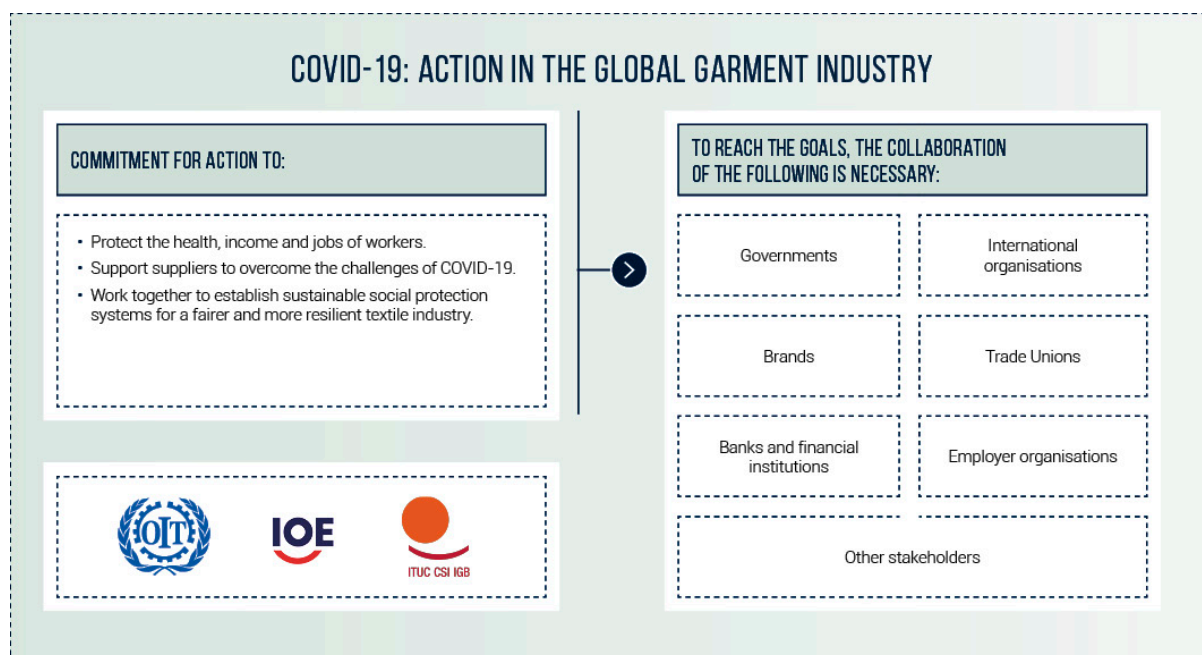
Thus, both through online monitoring platforms and regular verifications, support has been given to our suppliers and manufacturers in order **to ensure compliance with applicable requirements and recommendations**.

Furthermore, as members of ACT, we have supported the campaign headed by GIZ and the International Labour Organization for the safe transport of workers during the pandemic in Myanmar. Inditex and other ACT brands, together with IWFM (union affiliated with IndustriALL in Myanmar) and the employers' working group (comprising ACT's brand suppliers), took a collaborative approach and published a joint statement acknowledging the importance of promoting compliance with applicable health regulations and requirements for workers in the footwear and textile sector in Myanmar to ensure safe and healthy workplaces.

b) Protecting people

At Inditex, we believe that collaboration with stakeholders is fundamental to generating a direct impact on working conditions of workers in the supply chain. For this reason, since the outbreak of the COVID-19 pandemic, we have been actively working with various players to set up a global response to address its adverse effects, in order to protect workers in the sector, not only as regards health, but also in terms of social protection and employment.

In that regard, Inditex has played a very active role in the inception and subsequent formal backing of the **initiative *COVID-19. Action in the Global Garment Industry***. This initiative aims to structure an **urgent response to COVID-19 economic effects**, geared towards the protection of income, health and jobs of workers in the clothing sector by mobilising funds from international financial institutions and supporting the development of social protection systems in the various countries. The document governing this initiative has been agreed by the International Organization of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union, with the technical support of the ILO. It was also swiftly backed by various international brands such as Inditex, as well as several business organisations, trade unions and other organisations.



The organisations backing this initiative have set the following **priorities**:

- **Appealing to governments and financial institutions** to expedite access to credit, unemployment benefits and income support, in addition to other forms of support for workers and employers.
- Collaborating with financial institutions, governments and donors to, through emergency aid funds, and credits and short-term loans, **support rapid and innovative mobilisation of funds** to provide support for workers income.
- Mobilising funds to allow manufacturers to ensure business continuity, including **paying the wages of all workers**.
- Underscoring the **fostering of respect for the fundamental labour rights** laid down by the ILO, as well as the promotion of safe and healthy workplaces.
- Supporting the **development of social protection systems** for workers and employers in the textile industry.

In order to progress in implementing this initiative's priorities, an international task force comprising 13 members has been created, where Inditex – together with another company in the sector – represents the brands. With the backing of the International Labour Organization, the creation of national platforms that integrate local constituents and international brands has also been prioritised. By doing so, the advancement of the initiative is facilitated at national level by involving the main stakeholders in the priority countries identified, i.e. Bangladesh, Cambodia, Ethiopia, Haiti, India, Indonesia, Myanmar and Pakistan, but without ruling out expanding to other countries in the future.

c) Economic response and recovery

Pursuant to our responsible purchasing practices policy, **we have guaranteed the payment of all orders already placed and in production** as an immediate measure, in accordance with the original terms and streamlining payments in cases where there are logistics hindrances to the delivery of the goods. We **also guarantee the use of the raw material held by Group manufacturers for productions under conditions favourable to the supplier**. These commitments make it easier for suppliers to meet their obligations to pay workers, thus, providing further protection to their jobs and income.

Ongoing, swift and effective communication with our suppliers has been key to providing visibility and trust in the future of the supply chain. This is a practice that has been routinely performed by Inditex as part of our goal of upholding trust and collaboration with our suppliers, and has proved to be fundamental to overcome the challenges posed by COVID-19.

We have been in regular contact with our core suppliers, reviewing sales, forecasts and the supplier situation, etc. This has enabled us to understand the needs of each of them, and to offer them any necessary support possible. Accordingly, the internal organisation of suppliers as regards production and personnel has been facilitated, with the **goal of ensuring the least possible impact on workers due to the situation in the supply chain caused by COVID-19.**

Additionally, we have worked proactively with various kinds of financial institutions, private banks and multilateral organisations, with which Inditex holds historical relationships in several fields, in order to improve and expand the financing conditions available to suppliers and manufacturers in our supply chain. Our goal has been for suppliers to have access to sources of funding that will enable them to overcome the economic impact of the pandemic. Our priority has been to guarantee the payment of wages and the consolidation of the health and safety measures necessary to prevent the spread of COVID-19.

As a result of our collaboration with several financial institutions, it has finally been possible to undertake three programs, one in Morocco and two in Bangladesh, providing suppliers and manufacturers access to loans at attractive financial conditions.

d) Multilateral collaboration

The effects of the pandemic caused by COVID-19 have reiterated the need for **stable and sustainable relationships with stakeholders** that enable industrial relations to be used as a backbone for **structuring collective responses** to the challenges arising from this global pandemic.

Since the outbreak of the pandemic, we have been proactive and have joined forces with the major organisations that advocate for workers' rights: IndustriALL Global Union, Ethical Trading Initiative and ACT (Action, Collaboration, Transformation).

In that respect, **social dialogue has been one of the fundamental tools** to address the effects of COVID-19, driving relations with Inditex's core stakeholders at individual level and, in turn, collectively involving all the relevant parties at sector level. These two complementary approaches make it possible to address challenges common to all stakeholders, with an approach to sustainability that will minimise the effects of the pandemic and make the global textile industry more resilient to overcome any new challenges that may arise in the future.

It is worth noting the **cooperation between Inditex and IndustriALL Global Union** (hereinafter also "**IndustriALL**"), developed under the aegis of the Global Framework Agreement that both organisations have held since 2007 and which was last renewed in 2019¹². We have upheld ongoing communication and work with the global union since the outbreak of the pandemic to support the economic and social recovery of the industry, together with global and national stakeholders.

In this sense, Inditex and IndustriALL have undertaken to work together on the worldwide textile industry recovery plans, following the situation arising due to the COVID-19 pandemic. This commitment was formalised through a joint statement on 4th August 2020, and is based on the lasting partnership of our Company and the global union.

¹² More information in section 3.6.2.(a) "*Priority Impact areas, Contribution to the socio-economic development of workers and the industry*" of this Statement on Non-Financial Information.

Many textile production markets have experienced major job losses and economic difficulties for workers in this industry in recent months. The joint statement bolsters both organisations' lasting commitment to workers' rights to freedom of association, collective bargaining and social dialogue, which is promoted at all levels and backed by joint work with governments and business organisations in supply markets.

Furthermore, the agreement highlights Inditex's ongoing commitment to **upholding payment terms for its suppliers on the original terms of its orders**, as well as **to extending these suppliers' access to financing facilities** in order to boost their liquidity.

The agreement also reinforces the commitment to other initiatives of several stakeholders, including the ILO's COVID-19: Action in the Global Garment Industry and ACT.

Moreover, we have continued to join forces with other stakeholders and initiatives, namely those joined by both Inditex and IndustriALL Global Union and, therefore, those in which it is possible to generate a global impact that enables the structuring of common responses to the effects of the COVID-19 pandemic.

Thus, Inditex continues to play a crucial role – alongside IndustriALL Global Union and 20 other global brands from the sector – in **the ACT (Action, Collaboration, Transformation) initiative** that seeks to transform the clothing, textile and footwear industry and **achieve a living wage for workers through collective bargaining backed by responsible purchasing practices**¹³. In 2020, it has promoted platforms for dialogue between ACT members, employers and local IndustriALL affiliates in countries such as Bangladesh, Cambodia and Myanmar for a joint collaboration in the response to the effects of COVID-19.

It is worth highlighting experiences such as that of Bangladesh, in which IndustriALL Bangladeshi Council (an organisation comprising IndustriALL affiliates in the country), the employers organization BGMEA and ACT members agreed to jointly monitor the payment of wages and bonuses to workers and agree on a provisional mechanism for resolving disputes related to this matter in the country's supply chain of ACT brands.

Furthermore, also in 2020, several ACT brands (including Inditex), together with representatives of ACT suppliers in Myanmar and IWFEM, a local affiliate of IndustriALL, issued a joint statement *“Myanmar during the COVID-19 crisis: Working together to Protect the Health and Welfare of Workers and supporting the payment of Workers and Factories”* covering the fundamental aspects to be addressed by the parties to curb the effects of the COVID-19 global pandemic in the country.

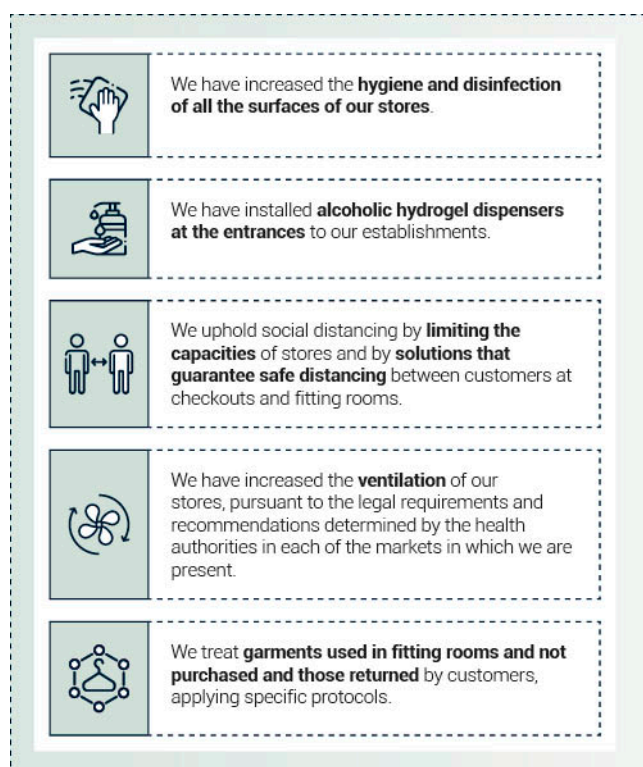
2.1.3 Commercial spaces

Providing a safe environment for our customers and employees to prevent the spread of coronavirus in the backdrop of a global pandemic is one of our priorities. **Security measures have been implemented and prevention protocols designed to this effect** in order to enable daily actions to be carried out within safe environments for all our customers and employees.

From the outset, our technical teams have monitored the legal requirements in each market, reviewed all available scientific documentation, partnered with scientific institutions, and assessed the

¹³ More information in section 3.6.2.(a) *“Priority Impact areas, Contribution to the socio-economic development of workers and the industry”* and in section 4.3.2.(a)&(c) *“Sustainable management of the supply chain (Policies, standards and principles on which our supply chain management is based)”* of this Statement on Non-Financial Information.

effectiveness of cutting-edge technologies. Lastly, all of these actions have allowed us to focus our strategy on the following measures:



In the interest of improving our safety protocols, we apply constant monitoring of progress in the knowledge of coronavirus and scientific and technical advances for its inactivation and protection.

We have also launched a research project with the prestigious *Massachusetts Institute of Technology* (MIT) to gain a deeper understanding of the virus in different environmental conditions.

2.2 EMPLOYMENT

Related issues: *Quality of employment*



2.2.1 Introduction

At Inditex, we are committed to providing stable and safe working environments where equal opportunities and professional development are a reality, and where we look after our team. Inditex is present in a vast number of markets, each with its own reality.

This requires local responses for our employees, to enable stable and quality working environments in each of the markets where the Group is present in.

In FY 2020, marked by the global coronavirus pandemic, the Company's priorities and efforts were also focused on preserving employment.

As lockdowns were ordered and temporary store closures were announced because of the health situation, we studied all the mechanisms available in the markets where we operate to preserve employment (temporary suspensions, or similar) which were made available to the companies in the different markets we operate in.

In Spain, our domestic market and where the highest number of employees is concentrated, the Company decided not to adopt the mechanisms available in the regulations on temporary layoff scheme (ERTE in Spanish) and has paid with its own resources the remuneration of the employees in the different areas of activity (stores, logistics centres, own factories and corporate headquarters) using company resources.

In the rest of the markets, actions were taken in accordance with local laws to deal with the pandemic, with the main objective, as in Spain, of preserving employment. In this sense, the instruments to compensate the salaries of the employees made available by the different authorities during the periods of restrictions due to COVID, allowed to recover about 137 million euros.

Based upon the evolution of the healthcare needs and the phases of the gradual ease of the lockdown, we have continued adapting security measures and aligning our workforce to activity levels, on the premise of preserving employment.

2.2.2 Staff distribution by contract type

In this context, at Inditex we have prioritised the maintenance of permanent employment principally through less use of temporary contracts, as well as by not renewing temporary contracts as they expired if there was no increase in activity to justify their extension. At the same time, in the markets where employment protection measures stayed in place, we have chosen to extend the procedures to continue to partially include the workforce.

This has led to 87% of our people having a permanent contract in FY 2020 (compared to 77% in 2019).

The following tables show the different types of contract by gender, age and job classification¹⁴:

Gender distribution	2020				2019				2018			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	Workforce	%	Workforce	%	Workforce	%	Workforce	%	Workforce	%	Workforce	%
Female	93,748	87%	14,543	13%	100,968	76%	31,606	24%	96,518	74%	34,607	26%
Male	31,690	88%	4,135	12%	34,219	78%	9,818	22%	30,655	71%	12,606	29%
TOTAL	125,438	87%	18,678	13%	135,187	77%	41,424	23%	127,173	73%	47,213	27%

¹⁴ % data of contract types available in FY 2020 for 95.4% of the workforce (not available for the markets of Belgium and Poland) (94.6% in 2019). The corresponding percentages are applied to the total workforce data for calculating the number of contracts by gender, age and job classification.

Age	2020				2019				2018			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	Workforce	%	Workforce	%	Workforce	%	Workforce	%	Workforce	%	Workforce	%
Under 30 years old	64,716	81%	15,034	19%	70,658	68%	33,387	32%	65,186	63%	38,797	37%
30 to 40 years old	41,677	93%	3,031	7%	44,874	87%	6,711	13%	44,145	86%	7,155	14%
Over 40 years old	19,045	97%	613	3%	19,655	94%	1,326	6%	17,842	93%	1,261	7%
TOTAL	125,438	87%	18,678	13%	135,187	77%	41,424	23%	127,173	73%	47,213	27%

Professional Classification ¹⁵	2020				2019				2018			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	Workforce	%	Workforce	%	Workforce	%	Workforce	%	Workforce	%	Workforce	%
Manager	11,451	96%	539	4%	9,268	89%	1,146	11%	7,000	90%	808	10%
Supervisor	15,596	95%	811	5%	19,209	92%	1,657	8%	18,215	88%	2,614	12%
Specialist	98,391	85%	17,328	15%	106,710	73%	38,622	27%	101,958	70%	43,791	30%
TOTAL	125,438	87%	18,678	13%	135,187	77%	41,424	23%	127,173	73%	47,213	27%

2.2.3 Staff distribution by type of working hours

With regard to type of working hours, 72% of the workforce works full-time and 28% part-time (47% full-time and 53% part-time in 2019 and 51% full-time and 49% part-time in 2018, respectively).

The increase in full-time working hours has mainly been caused by the drop in seasonal contracts during FY 2020. This usually involves voluntary part-time workdays in a greater proportion, to cover the highest sales times in our stores.

The FTE (*Full Time Equivalent*), understood as workforce if it was only full-time staff, corresponds to 89.5% of the total in 2020 (compared to 89.2% in 2019 and 89.3% in 2018), a relevant indicator when explaining job quality.

Distribution of workforce with part-time contracts¹⁶, according to gender, age and job classification, is shown below:

¹⁵ The profiles of the three job classification groups are:

- Management: employees in management positions responsible for interdisciplinary working groups related to the areas of design, manufacturing, distribution, logistics, stores, technology, sustainability, and other general services. Store managers are included in this category.
- Supervisors: employees who form part of interdepartmental working groups that interconnect the activities of design, logistics, stores, sustainability, technology, and other general services.
- Specialists: employees that have an impact due to their individual contribution, related to one of the Group's activities in the areas of design, manufacturing, distribution, logistics, stores, sustainability, technology, and other general services.

¹⁶ Workday type data available in FY 2020 for 95.4% of the workforce (not available for the markets of Belgium and Poland) (94.7% in 2019). The corresponding percentages are applied to the total workforce data for calculating the number of workday type contracts by gender, age and job classification.

Gender distribution	2020		2019		2018	
	Part-time		Part-time		Part-time	
	Workforce	%	Workforce	%	Workforce	%
Female	31,649	29%	70,308	55%	63,292	51%
Male	8,036	22%	23,601	47%	22,091	43%
TOTAL	39,685	28%	93,909	53%	85,383	49%

Age	2020		2019		2018	
	Part-time		Part-time		Part-time	
	Workforce	%	Workforce	%	Workforce	%
Under 30 years old	27,273	34%	66,978	64%	58,626	58%
30 to 40 years old	8,820	20%	20,854	40%	21,471	41%
Over 40 years old	3,592	18%	6,077	29%	5,286	27%
TOTAL	39,685	28%	93,909	53%	85,383	49%

Professional Classification ¹⁷	2020		2019		2018	
	Part-time		Part-time		Part-time	
	Workforce	%	Workforce	%	Workforce	%
Manager	291	2%	273	3%	139	2%
Supervisor	1,091	7%	1,804	9%	1,831	9%
Specialist	38,303	33%	91,832	63%	83,413	57%
TOTAL	39,685	28%	93,909	53%	85,383	49%

2.2.4 Leavers

The workforce in Spain at the end of FY 2020 was 40,279 people, of which 74% were women and 26% were men (48,687 people, 76% women and 24% men in 2019, respectively).

During this period, dismissals in Spain were 968 (978 in 2019). Taking this data disaggregated by sex, the gender ratio of the workforce is almost the same, as the number of women who left the workforce for this reason was 770, 80% (746 women and 75% in 2019), compared to 198 men, 20% (232 men and 25% in 2019).

¹⁷ The profiles of the three job classification groups are:

- Management: employees in management positions responsible for interdisciplinary working groups related to the areas of design, manufacturing, distribution, logistics, stores, technology, sustainability, and other general services. Store managers are included in this category.
- Supervisors: employees who form part of interdepartmental working groups that interconnect the activities of design, logistics, stores, sustainability, technology, and other general services.
- Specialists: employees that have an impact due to their individual contribution, related to one of the Group's activities in the areas of design, manufacturing, distribution, logistics, stores, sustainability, technology, and other general services.

With regard to dismissals by job classification and age, 71% were concentrated in Specialist positions, according to the classification previously given (71% and 75% in 2019 and 2018, respectively), both for store and corporate headquarters, own factories and logistics centres. 51% (56% and 52% in 2019 and 2018, respectively) were in the 30 to 40-year-old age range, with the majority of staff concentrated in Spain. Again, the proportion is consistent with the actual distribution of the workforce in our country, where the Company's corporate services are located.

Globally, with a workforce of 144,116 people in 2020 (176,611 in 2019 and 174,386 in 2018), the number of dismissals was 5,870 (6,428 and 8,661 dismissals in 2018 and 2019, respectively). Of all dismissals, the number of women who left the Group for this reason was 4,332, 74% (4,344 women and 68% in 2019 and 6,134 women and 71% in 2018), compared with 1,538 men, 26% (2,084 men and 32% in 2019 and 2,527 men and 29% in 2018). Once again, this figure is consistent with the gender distribution of the general workforce. With regard to dismissals by job classification and age, 81% were in Specialist positions (87% and 89% in 2019 and 2018, respectively) and 61% were people under the age of 30 (68% and 75% in 2019 and 2018, respectively), a group that includes 54% of Group employees (61% and 62% in 2019 and 2018, respectively).

2.3 LABOUR RELATIONS

Related issues: Stakeholder engagement; Quality of employment; Human Rights



Inditex is firmly committed to respecting the labour rights of its employees around the world and, in particular, their right of participation, as an essential element of the sustainable development of the business model.

The Inditex Code of Conduct and Responsible Practices, which applies to all employees of the Group, includes, throughout Chapter 3 on the General Principles, respect for trade union relations and rights. According to the Code, *"Inditex employees have the right to organize, freedom of association and collective bargaining."* In addition, paragraph 4.2 states that *"Inditex adopts, as part of its internal rules, the content of the national or international collective agreements into which it has entered, agreeing to promote and enforce them."*

Proof of this commitment is that in 2009, Inditex signed a Global Agreement with the International Trade Union Federation *UNI Global Union* ("**UNI**"). UNI is a federation that includes trade union organisations in the trade and distribution sector to respect and promote dignified work and labour rights. Currently, UNI brings together 900 trade unions around the world and represents more than 20 million workers. 100% of employees of the Inditex Group are covered by the Global Agreement signed with UNI.

Precisely, the collaboration between Inditex and UNI served as the basis for the official constitution in 2019 of the European Works Council in Inditex. The Agreement between UNI and Inditex specifically mentions a series of matters that are regulated in accordance with the principles set out by the ILO:

- Among other rights, special mention is made of the application of ILO Conventions 87, 89 and 98, which focus on guaranteeing freedom of association and the right to collective bargaining. In reference to them, the Agreement states that *"Inditex recognises the right of trade unions to represent workers and collectively negotiate the working conditions affecting them."*

- Similarly, the freedom of individuals to join any trade union and non-discrimination due to membership of a trade union is guaranteed within the scope of employment relations. Similarly, under the terms of ILO Conventions 100 and 110, and based on non-discrimination in employment, the parties defend equal opportunities and treatment for all persons, and equal pay for work of equal value.
- Inditex is committed to complying with applicable national legislation and conventions, in compliance with ILO Conventions 1 and 47 and ILO Recommendation 116.

As for the scope of application of the Agreement with UNI, in addition to the reference to the protection and promotion of fundamental rights, Inditex undertakes to comply with the requirements established by national legislation and collective bargaining agreements in matters such as working hours, protecting safe, healthy and sustainable working environments, and promoting best practices for occupational health and safety with equipment and adequate training.

The Inditex and UNI Agreement establishes minimum rights for employees of the different Group companies, because the legal, contractual and collective agreement provisions granting greater rights will be respected.

Following the signing of the Agreement between Inditex and UNI, the American trade union *United Food and Commercial Workers International Union* (UFCW), affiliated with UNI, showed its interest in reaching a specific agreement with the Company, to encompass the terms of the aforementioned 2009 Agreement for its stores in the United States.

In response to this demand, an agreement was signed in 2015 with UNI, UFCW, Inditex and Zara USA, which began as a pilot project for the Zara store at 42nd Street in New York. Subsequently, a collective bargaining agreement was approved for the establishment, which was extended to the nine Manhattan stores in September 2016. The social dialogue continued throughout the 2018 and 2019 financial years with negotiations to extend the collective bargaining agreement in the United States. There are currently 21 stores in the states of New York and New Jersey that are covered by the collective bargaining agreement.

Inditex and the unions representing its employees are involved in a continuous, open and constructive dialogue. As a result, and given the increase in consultations and negotiations during the 2020 financial year, both parties have maintained constant cooperation and support, enabling the necessary mechanisms to be triggered to protect our staff in the face of the situation caused by the coronavirus pandemic, and to lay the foundations to peacefully coordinate the inevitable digital transformation.

In Spain, our home market, mechanisms were activated to continue our operations from the very beginning, and agreements were put in place for business stability:

- The Contingency Protocol for remote working and processes were digitalised for all Central Services departments, Logistics offices and Manufacturing.
- Agreements with the representations of logistics workers to ensure continuity of the necessary services, including the two-week standstill of non-essential activities during the spring of 2020.
- Agreements with the representatives of store workers to continue and intensify online order preparation activities in our stores.
- Activation of a percentage of our factory's capabilities to manage the manufacture of masks and overalls.
- State Agreement with the majority unions CC.OO. and UGT to provide services in the best health and safety conditions both for staff and for customers. This agreement, reached during the initial de-escalation phase, extended to the organisation of work in terms of working hours and shifts to respect health measures - an agreement that continues to be in force.

On the other hand, a national framework agreement was reached in 2020 between Inditex retail brands in Spain and the CC.OO. Services Federations, and Services, Mobility and Consumer Affairs of UGT on working conditions for store staff absorbed as a result of the "Digital Transformation Plan" and the concept of "Integrated Store". The priority objective was to establish the foundations that have subsequently allowed the negotiation processes to begin with each Inditex retail brand on substantial modification of working conditions and geographical mobility, which at the same time would enable the Company to face the challenges of digital transformation and the consequent adaptation of the workforce to the current business reality.

In the rest of the markets where our employees are represented locally, we collaborated from the onset to start the appropriate negotiations and reach agreements focused on protecting employment, implementing appropriate safety and health measures, and continuity of operations. This is the case in countries with well-developed trade unions organisation and extensive experience in collective bargaining, such as Italy, France or Germany.

The European Works Council (EWC), which was created with the aim of becoming a body to guarantee effective information and consultation of workers in crossborder issues, has played a crucial role as a representative body for our employees in Europe and as a natural liaison for the Company in everything relating to the global health emergency.

A permanent dialogue has been open with the EWC' s Select Committee, composed of 5 members, whose main role is to act as the usual interlocutor with the Company, since the beginning of the pandemic, in addition to the two plenary meetings held by videoconference in June and December 2020. During the meetings, the members of the EWC plenary were informed first-hand of matters of concern for our employees, especially in relation with health and safety, as well as the economic situation and all the humanitarian actions being carried out by the Group.

The first plenary meeting of the EWC Council was held on 17 June 2020, with the participation of seven countries: Spain, France, Italy, Belgium, Luxembourg, Portugal and Austria. Subsequently, in December, the EWC met in an extraordinary session to take stock of the end of the financial year, culminating in a joint statement between Inditex and the EWC on the Digital Transformation Strategic Plan and the collaboration commitment between the parties.

This legacy of labour relations has meant that, globally, the percentage of employees covered by local collective agreements has stayed steady at around 60%, (60% and 70% in 2019 and 2018, respectively), while in Europe, the percentage would be around 70%, the same as in 2018 and 2019.

2.3.1 Organization of work

The Inditex Group Code of Conduct and Responsible Practices assumes as part of its internal regulation the content of applicable legislation and agreements and conventions, national and international, which the Company is part of, and commits itself to compliance.

With regard to the organisation of work, the Code specifically regulates compliance with the limits established by the legislation of each country in matters such as weekly working hours and overtime.

This commitment to the work day is reiterated in the Global Agreement with UNI, which includes a paragraph dedicated to the guidelines set out in ILO Conventions 1 and 47 on the daily and weekly working hours of eight and forty hours, respectively, as well as Recommendation 116 on reducing the duration of normal working time, regulated as a minimum standard for each country.

In practice, the law and the collective agreements that apply to Inditex establish the maximum annual working days for workers, which are used to agree work schedules. Inditex has working time control mechanisms, in accordance with the regulations applicable to each market.

During 2020, to protect the health and safety of our people during lockdown, remote working began where possible, mainly for our offices and corporate headquarters in Spain and other markets.

The situation forced certain work teams to launch brand new initiatives. For example, photos were taken at a distance for campaigns and collections for our online stores, instead of our usual studios. This has allowed us to mitigate the impact on business during the lockdown period, and to prevent our online stores from being de-stocked from new references, products and collections as they arrive.

At our corporate headquarters we also implemented various measures to facilitate working from home, ranging from delivering laptops to all employees, to training in specific tools necessary to guarantee business continuity.

In parallel, we prepared a contingency plan according to groups, prioritising the transition to remote working for the most vulnerable groups. This allowed us to anticipate the state of emergency declaration in Spain (and similar measures ordered in other countries) and strengthen the Technology Support teams to address possible incidents. It is important to note that remote working was implemented both in markets where it was mandatory and in those where authorities only issued recommendations.

The work at our logistics distribution centres did not stop at any time, continuing to support online sales and stores that remained open during this period. Agreements were reached with the representations of logistics workers to ensure continuity of the necessary services, which secured the health and safety of our people through measures such as no-contact shifts. In addition, we made our logistical capabilities available to the health authorities, companies and individuals, to supply medical materials.¹⁸

At the same time, our factories and pattern designers continued their activity following the health protocols set by the Company, with the exception of the weeks in which non-essential activities were stopped. They were also fully involved in the manufacture of masks and robes, which were scarce and essential goods in hospitals in the months following the declaration of the state of emergency in Spain in March 2020.

In addition, during the period when the physical stores were closed, our store employees supported online sales, strengthening the area of order preparations sent from our stores around the world.

We planned a progressive return to work centres where possible, implementing the necessary measures to protect the health and safety of our people and complying at all times with applicable regulations in each market: controlling occupancy, temperature control, strengthening of medical services, restriction of visits and trips, dispensing of masks and alcohol gels, and more. All of this will be in collaboration with local health and safety committees¹⁹.

¹⁸ More information in section 5.1. "*COVID donations*", of this Statement on Non-Financial Information.

¹⁹ More information in section 2.1.1. "*Health, safety and well-being of our people*" of this Statement on Non-Financial Information.

2.4 CUSTOMER ORIENTATION

CUSTOMER ORIENTATON

Related issues: Customer orientation; Responsible communication



2.4.1 Inditex, a model by and for the customer

The way in which a company chooses to interact with its customers is a reflection of its own identity; it defines its business model and moulds its creation of value and the impact it generates both on people and the communities where it operates.

At Inditex we believe that listening to our customers is not an option, but the starting point of an essential and unique activity that, irrespective of the various channels in which it takes place, reveals what products are needed and the right time and place to offer them. Only with the proper meshing of these three elements (listening – identification of needs – offer) can the customer have the best shopping experience.

All the Group's business areas are dedicated to satisfying these premises and guaranteeing the best shopping experience. Our online and store teams work alongside product designers and teams to understand customer needs and identify trends.

The image and coordination teams are looking for the best staging and different looks and options to make our products shine, through working with photographers, stylists and models. We are aware that our campaigns and images of our models have a great impact on our customers, which is why it is vitally important that they convey a positive, multicultural and diverse image; at the same time, they faithfully show the details and features of our products.

In parallel to this, the architecture studio works on creating and developing unique, pleasing and accessible retail spaces, where technological innovations such as RFID, SYNT (integrated stock), Store Mode, silo for online order collection or self-payment checkouts - all projects that are specifically developed within Inditex - facilitate the customer's relationship with our brands.²⁰

Ultimately, this formula has helped to develop an integrated store-online model for the customer to access our products when, where and how they prefer. A unique model, which requires efficient, intuitive and innovative working, allows customers to transition from the store to the online channel, and viceversa; and that offers multiple options to make the shopping a single integrated act.

Thanks to this model, our customers can, for example, connect with our new products through the online store and eventually buy in store, or visit stores but buy online for home delivery.

The integrated model has also helped to **mitigate the impact of Covid-19 and lockdown** on our balance sheet. In fact, with only 18% of our stores around the world fully operational during the year and restrictive measures in terms of capacity, opening hours and temporary closures, Inditex's sales

²⁰ More information in section 3.1. "Innovation and digitalisation" of this Statement on Non-Financial Information.

reached €20.4 billion and its net income was over €1.1 billion, while maintaining its gross margin at 55.8%.

In addition to the financial impact that our model has protected us from, **online sales grew at an impressive rate** of 77% year on year. The advances in online sales also led the Group's websites to record more than 5.2 billion visits in 2020 (more than 3.5 billion in 2019), equating to 14.2 million users daily visitors to the websites of the different retail formats. These figures are a testament to the critical importance of listening to our customers and identifying and meeting their needs in a way that best suits them, in the **complex and radically changing context** of their needs and lifestyle.

2.4.2 Response to our customers in 2020

At Inditex, we believe that a successful shopping experience does not end with the sale. This is why we strive to maintain a fluid, close and trustworthy relationship with our customers.

To meet the customer service challenges in more than 200 markets around the world, we train our teams in product knowledge, sustainable attributes, store processes, customer orientation and respect for diversity and inclusion.

In addition, and with the aim of getting closer to our customers, our call centers across the world serve our customers in their own language, wherever we have a retail presence: Spanish, Galician, Catalan, Basque, English, French, Portuguese, Russian, traditional Chinese, simplified Chinese, Italian, Polish, Ukrainian, Romanian, Greek, Turkish, German, Czech, Slovak, Croatian, Slovenian, Dutch, Hungarian, Danish, Swedish, Norwegian, Finnish, Indonesian, Arabic, Korean, Malay, Vietnamese, Japanese, Hindi, Bulgarian and Hebrew.

Inditex also works to ensure the accessibility of its facilities, both in store and online. **The Group's stores comply with architectural accessibility standards** to ensure disabled access and circulation through the establishment, and guaranteeing a successful shopping experience for the consumer.

Accessibility is also an important element on the Group's websites, which comply with the **Accessibility Guidelines or General Accessible Design Principles** established by the *W3C Web Accessibility Initiative* (WAI) Working Group. In addition, in 2020, thanks to the **digital accessibility project with *EqualWeb***, we strengthened accessibility menus on the Group's websites that were launched in 2019.

These menus, which are visible from the home page of each website, offer a variety of voice and browsing, colour and content settings, to ensure an inclusive and barrier-free browsing experience for users and customers.

The Inditex corporate website, as well as the Zara, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe websites in Spain, already incorporate this accessibility menu, which is now being implemented in the other websites of the different brands and markets with a retail presence.

a) Customer service channels: contacts and service levels

In 2020, a total of 53,735,989 contacts were handled by the Group's customer service areas in the Group's chains, through different channels (calls, emails, chats and messages through social media profiles), relating to a wide range of issues concerning products, purchasing, shipping, possible incidents or issues affecting brands, and more. The increase in the number of contacts compared with 2019 is explained by the increase in online orders and the closing of stores during the pandemic, as

most enquiries managed by our customer services departments relate to questions about the status of orders, delivery times, etc.

The service level (understood as the percentage of contacts handled against the total and weighted against the contacts in each chain) stood at 90%.

	2020			2019			2018		
	No. CONTACTS	SERVICE LEVEL	No. SERVICES PROVIDED	No. CONTACTS	SERVICE LEVEL	No. SERVICES PROVIDED	No. CONTACTS	SERVICE LEVEL	No. SERVICES PROVIDED
Zara	40,009,841	92%	36,848,936	21,559,476	97%	20,912,691	19,320,000	96%	18,547,200
Zara Home	2,856,719	98%	2,800,376	1,368,310	93%	1,278,275	905,907	92%	833,434
P&b	3,724,755	72%	2,666,292	1,820,713	86%	1,565,813	3,033,792	94%	2,851,764
Massimo Dutti	828,548	85%	700,505	2,010,181	93%	1,869,468	1,366,782	89%	1,216,436
Bershka	2,551,062	84%	2,150,189	1,161,875	92%	1,068,925	1,874,696	85%	1,593,492
Str.	2,241,811	83%	1,860,808	1,212,346	71%	860,766	1,511,405	97%	1,466,063
Oysho	1,393,302	93%	1,299,341	889,846	99%	881,214	922,297	80%	737,838
Uterqüe	129,951	81%	105,644	90,635	85%	76,904	97,864	93%	91,014
TOTAL	53,735,989	90%	48,432,091	30,100,931	95%	28,514,056	29,032,743	94%	27,337,240

b) Social media followers

In 2020, followers of Inditex brands on the different social media platforms exceeded 199 million (175 million in 2019 and 143 million in 2018).

The **Facebook and Instagram** accounts of each of the brands, with more than 65 million and 80 million users respectively (more than 61 million and 70 million in 2019; and 60 million and 55 million in 2018, respectively) are the social media accounts with the largest number of followers.

The calculation of the number of followers of the brands includes the profiles of the leading social media platforms, whether for a specific market (e.g. Weitao in China) or new ones of growing importance (e.g. TikTok, Line, Pinterest or LinkedIn, whose follower numbers are included in the category "Other").

MAIN SOCIAL MEDIA PLATFORMS OF OUR BRANDS BY NUMBER OF FOLLOWERS

	INSTAGRAM	FACEBOOK	WEITAO	WECHAT	TWITTER	OTHERS	TOTAL
ZARA	44,337,575	29,744,071	22,966,663	3,234,724	1,441,424	4,441,659	106,166,116
ZARA HOME	6,600,000	2,832,932		122,341	85,500	276,927	9,917,700
PULL & BEAR	7,201,969	7,322,705	6,690,000	267,417	372,790	765,884	22,620,765
MASSIMO DUTTI	2,717,400	4,319,249	4,261,651	267,645	80,860	540,773	12,187,578
BERSHKA	9,600,000	11,817,000		361,000	488,900	1,072,800	23,339,700
OYSHO	2,507,903	3,391,000	3,710,595	152,030	115,000	253,646	10,130,174
STRADIVARIUS	7,160,457	6,061,920		127,405	256,000	339,525	13,945,307
UTERQÜE	736,387	348,760		26,717	18,865	33,201	1,163,930
TOTAL	80,861,691	65,837,637	37,628,909	4,559,279	2,859,339	7,724,415	199,471,270

c) Complaint and response mechanisms

In Spain, a total of 4,814 consumer and trade cases were managed in 2020 (6,436 in 2019 and 6,586 in 2018) across all our brands, including consumer and trade requests, inspections, and complaint forms and cases.

Of the total, Inditex has responded to 2,956 complaint forms and 500 claim procedures, including mainly inspection requests and certificates. All Inditex brands classify claims and complaints according to the kind of queries received.

*Health and Safety claims*²¹

At Inditex we have exacting standards, training and awareness-raising schemes, as well as prevention and enforcement programmes to reach the highest health and safety standards. However, in the event of any potential incidents, our product health and safety teams are fully coordinated with our customer service, store teams and any other areas in the Company where information on incidents and/or claims may reach. Any notice given by any customer, inspection body, NGO or any other health, safety and/or environmental sustainability-related body, is addressed to our technical teams for evaluation and monitoring. Where there are signs that a product on sale is likely to be unsafe, the product would be withdrawn from the market and all units thereof sold would be recalled, bringing such measures to the attention of our customers through the relevant channels.

In 2020, 2019 and 2018, there were no product recalls for health and safety reasons

2.5 INFORMATION SECURITY AND PRIVACY

INFORMATION SECURITY

Related issues: Risk management and control systems



2.5.1 Information security

At Inditex, we conceive technology as a vehicle to facilitate the relationship between our brands and the customer. Technology can improve the shopping experience and enable the customer to interact with brands and meet their wants and needs at all times, regardless of the channel where they occur.

To achieve these objectives, the Company attributes highest priority to the protection of information and the availability of all processes that support these channels, with the Information Security Department being responsible for ensuring this.

This commitment was strengthened in 2019 at the highest level with the Board of Director's review and approval of the Information Security Policy. This Policy establishes the principles and guidelines that

²¹ More information on the health and safety aspects of our products in section 4.2.4. of this Statement on Non-Financial Information.

Inditex will follow to protect its information in accordance with applicable regulations and ethical values, as well as the provisions of the Information Security Committee Regulations.

Parallel to this, we have made progress in protecting sales channels in store and online. We have also put in place improvement processes to oversee defined safety requirements, and we have also integrated these safety monitoring processes as soon as third-party contracting of services is in place.

On the other hand, the existing private rewards program has been extended to identify possible improvements in our online channels, and incident detection, protection and response systems and processes have been strengthened.

In terms of training, we have launched various campaigns for our employees and collaborators, with the aim of assessing and promoting awareness of safety issues.

During 2020, and as a result of the disruption caused by the global COVID-19 pandemic, special emphasis has been placed on remote working plans and managing their associated risks. Specifically, the existing capacity of remote access channels and systems has been adapted to fit operational needs. Protection and control measures for these connections have also been strengthened. In addition to the training activities described above, specific campaigns have also been launched in this regard.

Also, we have launched working groups in response to this year's rise in cyber attacks on companies worldwide, although with no significant impact on Company operations as of the date of this report. These groups, under the supervision of the Information Security Committee, are designed to scrutinise existing control measures, drive plans already underway and propose or implement new protection measures.

Aware of the importance of the continuous improvement of the Information Security management model, at Inditex we continue to invest to secure the technologies and controls to meet our strategic objectives. The Information Security Committee is the body that ensures that safety management best practices are effectively and consistently applied throughout the Company.

2.5.2 Personal Data Protection and Privacy

Privacy is one of the core values of Inditex. We work in accordance with our Data Protection and Privacy Compliance Policy, approved by the Board of Directors, with the aim of promoting a privacy culture involving everyone who is part of Inditex.

The customer is the centre of our business. This year, in which innovation and digitisation have been fundamental in customers' shopping experience, work has been done with the business teams in the projects that have been developed and that involve the data processing, to ensure they have privacy incorporated in their design and by default. The aim is to ensure that our customers' personal data are protected in accordance with applicable regulations and internal standards adopted by Inditex, and to ensure transparency and information on the use of their personal data and the effectiveness of their rights.

At the same time, we have updated our websites and apps, promoting the self-management of our customers' and users' privacy with our compliance model for cookies and similar technologies.

Throughout the 2020 financial year, close collaboration took place with the Occupational Health and Safety area to ensure that the measures to protect our employees' health in the face of the COVID-19 pandemic also comply with the Company's privacy rules and internal standards.

At the same time, we are continuously improving the data protection and privacy management model. This work is carried out under the advice of the Corporate Data Protection and Privacy Department; supervised by the Group's Data Protection Officer (DPO); and reporting to the Audit and Compliance Committee, which in 2020 includes the audit report on Inditex's compliance with the General Data Protection Regulation in Europe.

2.6 ROBUST COMPLIANCE ARCHITECTURE

Related issues: *Ethical behaviour and governance; Risk management and control systems;*



Inditex has a robust Compliance System, in the form of a model of organisation, prevention, detection, control and management of legal and reputational risks, arising from potential breaches of mandatory regulations, internal rules and best practice.

2.6.1 Internal corporate ethical culture

The development of an ethical corporate culture is essential to this Compliance System. This System is not only intended to establish a regulatory compliance system, with the ultimate aim of preventing or otherwise limiting liability for the Company, but also seeks to demonstrate our strongest commitment to good governance and social and environmental sustainability, and to pass on this corporate ethical culture to all our stakeholders, promoting respect for fundamental Human and labour Rights in our supply chain.

Proof of this is the existence of the Code of Conduct and Responsible Practices, and the Code of Conduct for Manufacturers and Suppliers, which are high-level standards and the pillars of our Compliance System:



Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices aims to ensure a professional, ethical and responsible commitment by Inditex and all our employees in the course of their activities anywhere in the world, as a basic part of business culture based on training and the personal and professional development of employees. It defines the principles and values that must govern relations between the Group and our main stakeholders: employees, customers, shareholders, business partners, suppliers and those communities where we develop our business model.

Its principles include the fact that **all Inditex Group operations will be ethical and responsible**; all individuals and legal entities that have any direct or indirect employment, economic, labour or industrial relationship with the Inditex Group will be treated in a **fair and honourable manner**, and all the Group's activities will be carried out in the most **environmentally friendly manner, promoting the conservation of biodiversity and the sustainable management of natural resources**.

This includes a series of **responsible conduct commitments and practices**, including, and in this specific section:

- compliance with applicable legislation and Inditex's internal regulations;
- compliance with human and labour rights and regulations and best practice in the field of employment, and occupational health and safety;
- the obligation to act with respect, dignity and justice, taking into account the different cultural sensitivity of employees or customers, their diversity and multiculturalism, not allowing violence, harassment, abuse or discrimination;
- compliance with product health and safety standards that guarantee that Inditex items do not pose risk to health or safety;
- establishing legal, ethical and respectful relationships with suppliers and public authorities, in line with international legislation on the prevention of corruption and bribery;
- the obligation to prevent and control conflicts of interest;
- the duty to efficiently use Inditex's goods and services, and to protect the Company's information;
- the obligation to protect its own industrial and intellectual property and that of others;
- the duty to record transactions of economic significance clearly and accurately in the appropriate accounting records; and
- the development of Inditex's activity promoting social and environmental sustainability, as a way to create value for all stakeholders.

United States, Puerto Rico and Canada have their own Code of Conduct, adapted to the regulations and best practices in those territories, inspired by the Inditex Group Code of Conduct and Responsible Practices.



Code of Conduct for Manufacturers and Suppliers²²

It defines the **minimum ethical and responsible standards of behaviour** that must be observed by all **manufacturers and suppliers** of the Group across the entire supply chain, in accordance with the Inditex Group business culture, which is firmly rooted in respect for human rights.

Its application extends to all manufacturers and suppliers involved in the purchasing, manufacturing and finishing of the products marketed by the Group, and promotes and is based on the general principles that define Inditex's ethical behaviour. Compliance with all the standards of the Manufacturer and Supplier Code of Conduct is a prerequisite for a supplier or manufacturer to be part of the Inditex supply chain.

2.6.2 Compliance and criminal risk prevention system

a) Strategy

The Inditex *Compliance* System is transversal, which means it is a corporate function that covers all our business formats.

The management and coordination of the *Compliance* System corresponds to the **Compliance Function**, represented by the **Committee of Ethics**, which acts as a decision-making body, and by the **General Counsel's Office - Office of the Chief Compliance Officer** (hereinafter, "**General Counsel's Office - Office of the Chief Compliance Officer**" or "**GCO-OCCO**"), which is responsible for its operational management. The *Compliance* Function performs a dual function:

²² More information on the practical application of the Code of Manufacturers and Suppliers in the section 4.3 "*Sustainable management of the Supply Chain*" of this Statement on Non-Financial Information.

- (i) Coordination, which entails collaboration between GCO-OCCO and the different areas and departments with *Compliance* functions, to identify possible non-compliance risks and defining and implementing controls aimed at preventing them occurring.
- (ii) The periodic report prepared by (i) all departments with a *Compliance* function to GCO-OCCO on those critical aspects that may have an impact on Inditex from a *Compliance* point of view; and (ii) the report prepared by GCO-OCCO, after consolidating the information gathered in a report that is approved, half-yearly and annually, by the Committee of Ethics and which is submitted to the Board of Directors, through the Audit and Compliance Committee.

This Compliance System is set up around a **structure of core (high-level) standards**, approved by the Board of Directors, and transversal compliance, along with a series of organisational documents.

And the *Compliance* System of the Inditex Group is specifically regulated through the following regulations:

The Group's **Codes of Conduct** (section 2.6.1. above).

The **Compliance Policy** that establishes the commitments that our employees must assume, regardless of their geographical location and position.

The **Compliance Management Procedure**: that develops the content of the aforementioned Policy and establishes the organisational measures to prevent, detect and manage the Risks of Non-compliance, reinforcing a culture of ethical compliance.

Criminal Risk Prevention Model

Within this *Compliance* System, Inditex also has an **organisation and management model for crime prevention**, or Criminal Risks Prevention Model, in order to **reduce exposure to risks** associated with possible corruption, fraud or bribery offences, and this is configured through the following documents:



The Model of Criminal Risk Prevention approved by the Board of Directors in 2016, and in particular the Matrix, is subject to a **process of continuous assessment and improvement**, in order to adapt it to the Inditex Group's development and growth and to the legal requirements, recommendations and best practices in the field at any given time, ensuring its effectiveness.

The Matrix was updated in 2020, by analysing and reviewing the potential risks inherent to the processes of the various activities performed, taking into account legislative developments, approval and/or modification of internal standards and changes to the organisational structure and to certain processes of the Company.

Thus, in order to mitigate the criminal risks inherent in the activities we perform and the offences of public and/or private corruption identified in Matrix, its controls have been monitored according to the risk prioritization determined in the risk map (hereinafter, the "**Map**").

According to the Map, which is updated every year, the main risks identified in terms of corruption, according to its latest update, consist of: (i) corruption between individuals; (ii) corruption in international transactions; and (iii) bribery.

Anti-corruption regulations

Within the framework of the Group's *Compliance* System, the Board of Directors of Inditex has approved a set of internal regulations that, in the application of our corporate ethical culture, formalises and demonstrates our firm commitment to prevent any form of corruption, fraud, money laundering or illegal financing.

Specifically, in order to ensure that all our employees, as well as the third parties with whom we are engaged in business relations, comply with the provisions of the main **anti-bribery and anti-corruption regulations** in the markets in which the Group is present, we have the **Integrity Policies**, which, following the requirements of standard ISO 37001 on Anti-bribery Management Systems, are associated with the ethical values of our Group, and these consist of:

The Policy on Donations and Sponsorships: it defines what is meant by donations and sponsorships, and regulates under what circumstances they are allowed or not, and the flow of validation, documentation and approval required for the same.

The Policy on Gifts and Business Courtesies: defines what is meant by gift and business courtesies, and regulates the requirements for these to be offered and/or accepted for them to be considered valid and compatible with Inditex's rules of conduct, and establishes a channel of communication and complaints with the Committee of Ethics.

The Policy on Dealings with Public Servants: defines what is meant by bribery and by civil servant, and expressly prohibits bribery in the public and private sectors, including facilitation payments, even in cases where such payments are not prohibited by the legislation of the country or territory concerned. The Policy also establishes due diligence processes implemented to ensure that the behaviour of third parties with whom Inditex conducts relations is aligned with the Company's ethical values, regulations and standards, the applicable market regulations and existing best practices in anti-corruption matters.

Inditex also has the following specific regulations on **the prevention and management of conflicts of interest** and **the prevention of money laundering and financing of terrorism**, respectively:

- **Conflicts of Interest Policy**

Establishes the principles and criteria to be considered to prevent, detect, communicate and manage conflicts of interest that may arise in the professional activities carried out by Inditex employees, and that may compromise the objectivity or professionalism required for them to carry out their functions.

- **Anti-Money Laundering and Terrorist Financing Policy**

Defines the due diligence processes implemented in the Company, taking into account the different business activities carried out by Inditex, i.e.:

- The limitation of cash receipts in stores, by which the control mechanisms for cash receipts from customers are implemented; and
- The identification and analysis of potential risks from our business partners, suppliers and other third parties, in accordance with due diligence measures implemented in our internal

regulations (the *Due Diligence* Policy and Procedure) and, where applicable, the relevant legislation.

Due Diligence

In line with the principles and criteria for action set out in the Code of Conduct for Manufacturers and Suppliers, at Inditex we are firmly committed to preventing *compliance* risks from third parties with whom we conduct a direct business relationship. In this regard, the **Due Diligence Policy**, approved by the Board of Directors in September 2019, aims to align the relationships maintained by Inditex with its business partners, suppliers and large customers, with the processes described in the international standard ISO 37001 on Anti-bribery Management Systems in organisations, as well as with the most stringent regulations and standards in the field of anti-corruption.

The *Due Diligence* process that the Policy regulates consists of **identifying and analysing all business partners and third parties** with whom Inditex is commercially related, in terms of corruption, fraud, international trade sanctions and/or any other risks of a similar nature. Therefore, this is an independent process, but in line with any other social, environmental, operational, financial, business or other analysis that the Group may carry out with suppliers or other third parties.

The development and implementation of the Policy is based on a series of principles:



Within the framework of the *Due Diligence* system, we also have the **Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorized Markets**, which establishes limitations on procurement with suppliers, allowing for procurement only with suppliers domiciled in markets authorised by the Group (i.e. those that meet the legal and business operating criteria), and the making of payments to those that, in compliance with the first requirement, also have bank accounts that are domiciled in said markets.

Prevention of crime and corruption models outside Spain

Furthermore, the implementation of ***compliance* models at local level** has continued in 2020, providing compliance with the regulatory requirements in each jurisdiction where we have a

presence, and the process of approval of the criminal risk prevention and anti-corruption models has been initiated, with full alignment and coordination with the system implemented in Spain, which also operates as a global system.

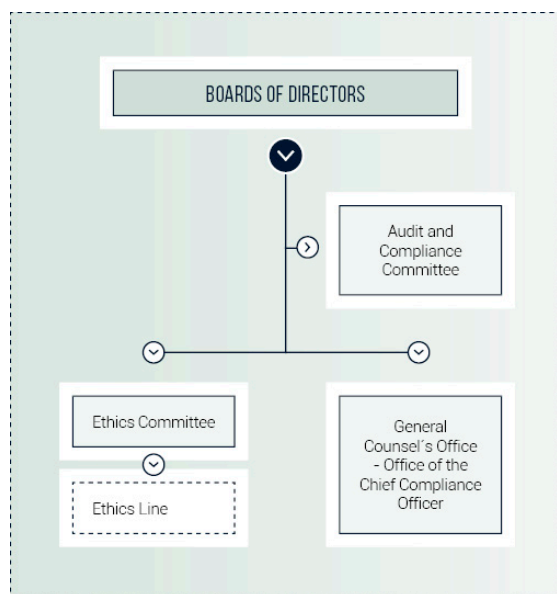
Also in 2020, the implementation of two models in Mexico and Brazil have been initiated, with the aim of complying with the legal requirements in these jurisdictions, always in alignment with the Model. In both cases, they have been subject to prior internal audit diagnosis and external legal advice, in order to review their suitability for regulations, recommendations and good practices.

The status and characteristics of the *Compliance* models implemented locally by the end of 2020 are detailed below:

	DESCRIPTION OF THE MODEL	BENCHMARK STANDARD	STATUS
	▼	▼	▼
FRANCE	Anti-corruption model	<i>Loi Sapin II</i>	2 nd monitoring cycle
ITX RE DAC	Anti-corruption model	<i>Criminal Justice Act</i>	2 nd monitoring cycle
UNITED KINGDOM AND IRELAND	Anti-corruption model	<i>UK Bribery Act</i>	2 nd monitoring cycle
ITALY	Crime prevention model	<i>D.Lgs. 231/2001 – Responsabilità amministrativa da reato</i>	Revision and update of the model
RUSSIA	Anti-corruption model	<i>Criminal Code Anti-corruption guidelines</i>	Implementation in progress
TURKEY	Anti-corruption model	<i>Criminal Code Anti-corruption guidelines</i>	Implementation in progress
MEXICO	Crime prevention model	xxxx	Implemented

b) Compliance System management and supervision bodies

The management and supervision bodies of the *Compliance* System and, in particular, the Model, consist of:



The **Audit and Compliance Committee**, which has the following functions, among others:

- (i) to assess the effectiveness of internal financial and non-financial risk control and management systems, including those related to corruption, and to assess the measures in place to prevent or mitigate the impact of risks detected and identified in the Matrix;
- (ii) to identify and re-assess the most significant financial and non-financial risks;
- (iii) to ensure that they are maintained and managed within the accepted tolerance levels, and
- (iv) to monitor compliance with and the effectiveness of *Compliance* policies and procedures.

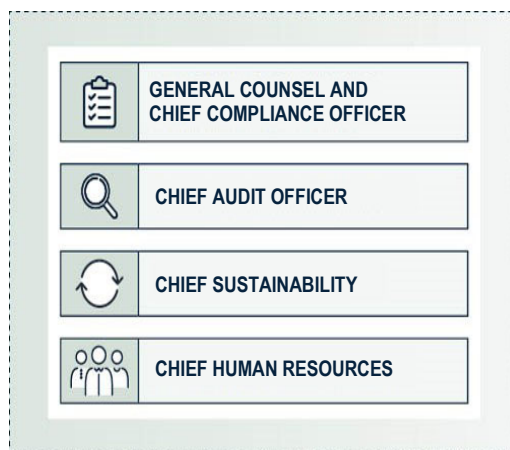
Furthermore, the Audit and Compliance Committee reports to the **Board of Directors**, on a quarterly basis, and whenever requested, on compliance with the Code of Conduct and Responsible Practices as well as the Criminal Risk Prevention Model; and proposals can be suggested for the adoption of measures aimed at improving compliance with the Model and the *Compliance* System.

The Committee of Ethics and the General Counsel's Office - Office of the Chief Compliance Officer comprise the so-called *Compliance* Function. The **General Counsel's Office - Office of the Chief Compliance Officer**, which, as explained above, has the function of **operational management of the *Compliance* System** of Inditex and its Group, in general, and, in particular, the Criminal Risk Prevention Model. The **Committee of Ethics**, for its part, is the internal body responsible for **overseeing compliance with the Code of Conduct and the Criminal Risk Prevention Model**, as well as for ensuring the effectiveness of controls.

The Committee of Ethics submits a report to the Audit and Compliance Committee, at least every six months, containing an analysis of its activities and the application of the Code of Conduct and Responsible Practices, and the results of its monitoring of the Criminal Risk Prevention Model.

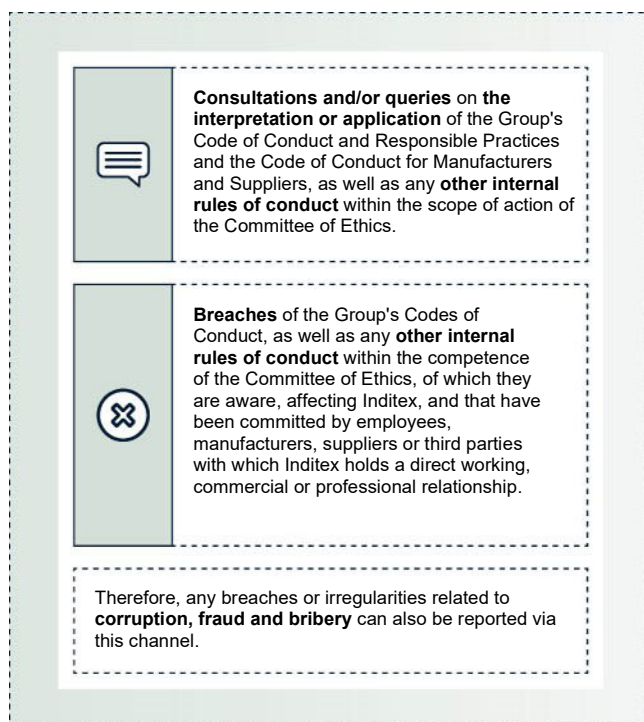
c) **Committee of Ethics and the Ethics Line**

The Committee of Ethics is an internal body reporting to the Board of Directors, through the Audit and Compliance Committee. This collegiate body consists of:



It is also the body responsible for overseeing the operation of the **Ethics Line** and compliance with its procedure, and should promote any necessary investigations. Operation of this Ethics Line is described in the **Ethics Line Procedure**.

The **Ethics Line** is a strictly confidential channel through which all employees of the Group, manufacturers, suppliers or third parties with a direct relationship and legitimate commercial or professional interest in the Group, regardless of their hierarchical level or their geographical or functional location, may communicate, including anonymously:



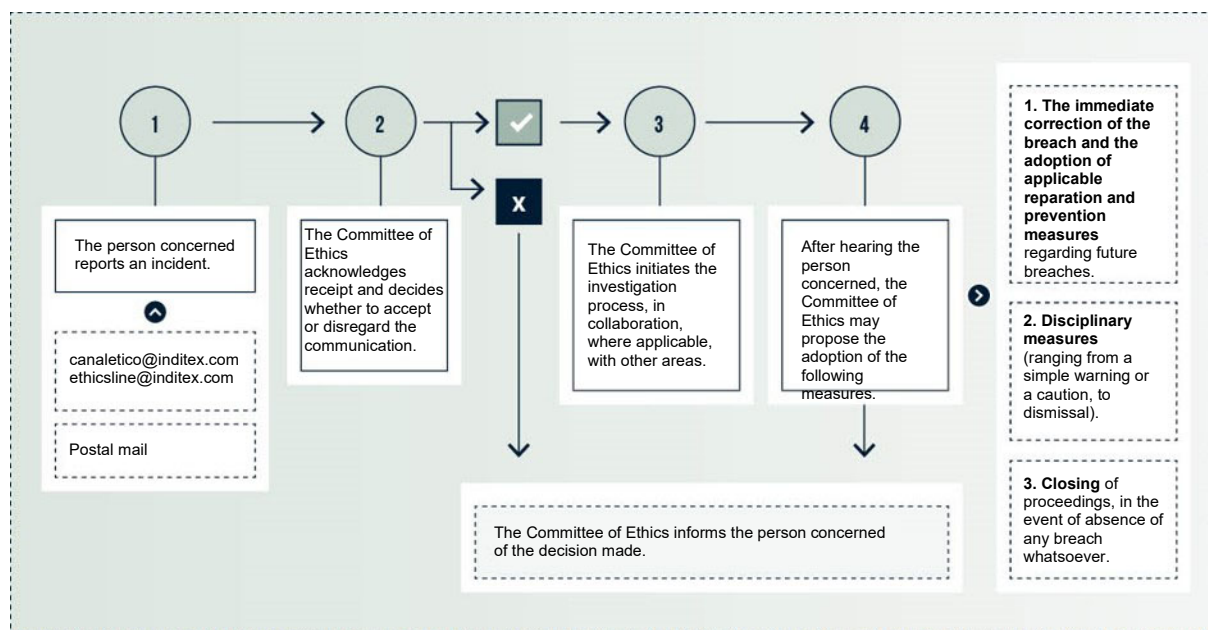
The Procedure, which was amended by the Board of Directors in December 2019, is found to be adequate for the regulatory requirements in relation to **protection of personal data** and **rights of users in complaint mechanisms**, as well as international best practices in the field of Human Rights. In particular, this procedure offers the following **guarantees and safeguards** of the parties to the process:



All information relating to the Committee of Ethics and the Ethics Line is available on the **intranet** and on the **company website** (www.inditex.com), found in the *Compliance* tab, which provides direct access to this channel.

Operation of the Ethics Line

The Committee of Ethics's decisions are **binding** on the Inditex Group and the recipient, where applicable, of the same.



Ethics Line | Canada, United States of America and Puerto Rico

Inditex has also made the *Ethics Line* available to its employees and third parties in Canada, the United States of America and Puerto Rico, as an additional channel for raising queries and/or communicating breaches or irregularities related to the Code of Conduct and Responsible Practices, and other rules of conduct at Inditex. In line with local best practices, the management and administration of this channel has been entrusted to an external supplier. It is accessible by telephone and via the website, and is available 24 hours a day, 7 days a week.

Breakdown of communications by topic²³



During 2020, the Committee of Ethics processed a total of 315 incidents (310 and 302 incidents in 2019 and 2018, respectively).

Of these 315 incidents processed by the Committee of Ethics, 10 were related to diversity and potential discriminatory behaviour. Following the corresponding investigations, none of the cases processed by the Committee of Ethics showed evidence of human rights violations, either in relation to Inditex's employees, or in relation to their suppliers of goods or service providers.

Cases relating to corruption, fraud and bribery²⁴

During 2020, the Committee of Ethics processed 20 incidents related to corruption and bribery among individuals. Of the closed incidents, 3 contain confirmed evidence of irregular practices, leading to the adoption of the corresponding corrective, mitigating and/or preventive measures, including disciplinary measures and/or termination of the employment relationship. No relevant aspects affecting the Company were observed in any of these cases.

During the 2020, 2019 and 2018 financial years, the Group was not aware, either through its Committee of Ethics or through other means, of the processing of judicial proceedings related to corruption or bribery affecting the Company.

During 2020, the *Ethics Line* processed a total of 74 incidents, 59 of which were related to the United States and 15 to Canada (64 relating to the United States, and 12 to Canada, in 2019, respectively).

²³ According to the Navex classification.

²⁴ Incidents of this nature are included in the "Integrity in Business" category.

d) Training, communication and awareness

Internal and external communication and dissemination

Training our employees and suppliers is key to building and growing our *Compliance* model. In these areas, we are fully confident of the values, principles and ethical guidelines that make up our internal corporate culture.

At Inditex, we promote **communication and dissemination of internal regulations** related to the Group's *Compliance* model and, in particular, to the Criminal Risk Prevention Model. The Company facilitates the awareness and disclosure of the rules of conduct adopted, keeping individuals informed of both the correction and transparency objectives to be achieved, as well as of way in which Inditex pursues its compliance objectives.

In light of the above, the policies and procedures that make up the Inditex Group *Compliance* model are available to all employees on the company intranet (INET), using any device.

The new "**Compliance**" tab on the company website (www.inditex.com) also includes the core *compliance* regulations, which are publicly accessible to all our stakeholders. The Group's Code of Conduct and Responsible Practices and of the Manufacturers and Suppliers, as well as the Integrity Policies of the Group are particularly worth highlighting, which represent the apex of the pyramid of the Group's rules of conduct and the pillar on which the *Compliance* system is built.



Likewise, in order to guarantee our **formal commitment**, at the highest level, to ethical and responsible behaviour that forms part of the Group's corporate culture, and to the *Compliance* System and, in particular, the Criminal Risk Prevention Model, the **General Counsel's Office - Office of the Chief Compliance Officer** is responsible for:

- 01 | **Adequately notifying** members of the Inditex Board of Directors, through quarterly monitoring, and **keeping them up to date** on matters related to the following aspects: (i) application of the Codes of Conduct and Responsible Practices and of Manufacturers and Suppliers and (ii) the activities and results of monitoring of the Inditex Group's Criminal Risk Prevention Model.
- 02 | **To promptly report all approved internal corporate regulations** to all managers and other persons responsible for the Group's departments and operations (i.e. chain managers, directors and managers of company departments, managers of subsidiaries in other markets and their financial directors, and other directors and managers of operations and departments), reminding them of their obligation to communicate the content of the notification and its regulations, to all persons involved in their respective areas of responsibility. When determining other potential recipients, the General Counsel's Office - Office of the Chief Compliance Officer also takes into account the specific scope of each of the policies and procedures that are communicated.

Throughout 2020, the General Counsel's Office - Office of the Chief Compliance Officer has **communicated and published** the following regulations in INET:

Regulations		Category	Approval date
Procedure on Authorisation Flow in respect of Financial Transactions		Procedure	08/04/2020
Instruction on Payment Currency to Creditors		Instruction	10/06/2020
Standards that implement the Financial Risk Management Policy	Credit Risk Management Procedure	Procedure	13/10/2020
	Balance Sheet FX Risk Management Procedure	Procedure	13/10/2020
	Cash Flow at Risk Management Procedure	Procedure	13/10/2020
Third Parties' Financial Risk Management Procedure		Procedure	20/10/2020
Instruction on Service of Collection of Waste at Stores to be taken to a Recycling Centre		Instruction	06/10/2020
Policy on Disclosure of Economic-Financial, Non-Financial and Corporate Information		Policy	14/12/2020

Thus, within the framework of the ongoing supervision and monitoring process of the Group's *Compliance* System and, in order to provide a response to the different regulatory requirements as well as the *Compliance* standards applicable at any given time, the General Counsel's Office - Office of the Chief Compliance Officer has carried out the **review and update** of the following regulations:

Regulations		Category	Approval date	Latest update
Diversity & Inclusion Policy		Policy	12/12/2017	14/12/2020
Procedure to cancel orders		Procedure	14/02/2018	08/10/2020
Financial Investment Policy (formerly Investment Policy)		Policy	10/12/2014	14/12/2020
Financial Risk Management Policy		Policy	09/12/2015	17/03/2020
Enterprise Risk Management Policy		Policy	09/12/2015	14/12/2020
Sustainability Policy (formerly Corporate Social Responsibility Policy + Environmental Sustainability Policy)	Corporate Social Responsibility Policy	Policy	09/12/2015	14/12/2020
	Environmental Sustainability Policy		09/12/2015	
Diversity of Board of Directors Membership and Director Selection Policy (formerly the Director Selection Policy)		Policy	09/12/2015	14/12/2020

Training measures

The promotion of the internal corporate ethical culture and the Inditex Group Compliance System is based on the implementation of training methods tailored to the risk profile of the different groups of employees that make up Inditex. In this regard, at Inditex we produce, on a regular basis, specific content according to the training needs of each group.

In particular, the Committee of Ethics approved a Training Plan on *2 December 2019, on Criminal Compliance, which responds to the training requirements on Criminal Compliance* required by international standards and Circular 1/2016 of the Public Prosecutor's Office. The Map, derived from the Matrix, has been used as a basis for preparation of this training plan after its review and update, and, consequently, the objective is to provide training on the different risk occurrences that are relevant to the Company.

As a result, the Plan determines and identifies the training recipients, being the employees at Inditex who carry out their professional activity in areas that have associated risks identified as "high" in the Matrix, i.e.: (i) those who have control management responsibility associated with a risk event; (ii) those who carry out functions of product purchase or contracting of supplies and services with third parties; (iii) those who, without being responsible for managing a certain control, participate in the control configuration process; and (iv) the Group's directors and authorised representatives.

During 2020, our established training objectives were impacted by COVID-19, and mainly by the mobility restriction measures imposed on the different markets. As the situation has been normalised, training has resumed, and in most cases it is conducted in online format.

Within the framework of the regular training plan on *Compliance* of the Inditex Group, the following **training actions** carried out during 2020 are worth highlighting:



I. New employee hires

All new employee hires of the Inditex Group receive **initial training in *Compliance matters***, and in particular in the Code of Conduct and Responsible Practices, as well as training on the Ethics Line, during the *Welcome Day* training sessions, in person or *online*.

Likewise, at the time of contracting, all new employee hires receive specific training in the Code of Conduct and Responsible Practices by the Personnel teams, while at the same time they assume their firm commitment to compliance by signing the work contract, which includes an adherence clause, or the corresponding certification.

The breakdown of training measures carried out for new employee hires is shown below.

Group	Subject matter	Region	Attendees
New employees			
Corporate HQ employees	<i>Compliance</i>	Spain (in person)	33
		Spain (<i>online</i>)	18
Foreign subsidiary employees	<i>Compliance</i>	China (<i>online</i>) Ukraine (<i>online</i>) United States (<i>online</i>)	11

As a result, taking into account the number of new registrations recorded during 2020 as a proportion of the average workforce, 10.8% of the total employees of the Group received training on *Compliance* during the aforementioned year (29% of employees in 2019 and 2018), according with the following breakdown:

Geographical Area	% TOTAL		
	2020	2019	2018
Spain	1.8%	14.9%	13.7%
Rest of Europe	11.0%	31.5%	33.2%
Americas	16.5%	34.2%	42.0%
Asia and Rest of the world	25.2%	44.9%	45.6%
TOTAL	10.8%	29%	29%

Professional Classification	% TOTAL		
	2020	2019	2018
Management	0.7%	1.8%	3.3%
Supervisors	0.4%	1.6%	4.2%
Specialists	13.4%	34.6%	33.9%
TOTAL	10.8%	29%	29%

II. Existing employees

We carry out training on a regular basis, in person or *online*, aimed at groups that, either due to their position and responsibility, or whether due to the activity type they perform, are exposed to a **greater risk of committing violations** with regard to *compliance* and, in particular, to committing **violations related to corruption between individuals**.

In this regard, the training should be provided to members of the Group's management and administration bodies who, due to their responsibilities and functions, receive recurrent training.

Throughout 2020, the General Counsel's Office - Office of the Chief Compliance Officer has communicated and published the following regulations in INET:

Group	Subject matter	Region	Attendees
Governing bodies Senior Management			
<i>Zara Holding Supervisory Board</i>	<i>Compliance</i>	The Netherlands (online)	11
Subsidiary corporate management	<i>Compliance</i> Prevention of bribery and corruption	Turkey (<i>online</i>)	6
ITX Trading address	<i>Compliance</i>	Switzerland	1
Bangladeshi address	<i>Compliance</i>	Bangladesh	1
HQ	<i>Ethics and Compliance</i>	Spain (<i>online</i>)	145

Corporate HQ			
HQ staff, chains, logistics and factories	<i>Compliance</i>	Spain (<i>online</i>)	1,938
HQ staff foreign subsidiaries (local <i>Due Diligence</i> reviewers)	<i>Due Diligence</i> procedure	Belarus (<i>online</i>) China (<i>online</i>) United States (<i>online</i>) Turkey (<i>online</i>) Croatia (<i>online</i>) Ukraine (<i>online</i>)	10
Personnel subject to Internal Regulations of Conduct (IRC)	Internal Regulations of Conduct (IRC)	Spain (<i>online</i>)	2
HQ staff Purchasing and Contracting	Internal regulation communication	Spain (<i>online</i>)	11
HQ staff Risk Management Personnel	Internal regulation communication	Spain (<i>online</i>)	4
Subsidiary HQ staff	<i>Compliance</i>	Switzerland (<i>online</i>)	8
Staff chains (BSK, ZARA KIDS, LFT, PB, STR, ZARA SRA, ZARA MAN) and Administration - Sustainability	<i>Compliance</i>	Bangladesh (<i>online</i>)	49
Subsidiary HQ staff	Code of Conduct, Integrity Policies and Ethics Line	Mexico	111
ITX Trading personnel	Code of Conduct.	Asia	116
Subsidiary HQ staff	Code of Conduct.	China	375
Stores Logistics-distribution Factories			
Kiddy's Class store staff	"Good morning" – <i>Compliance</i>	Spain (in person)	236
Zara Spain store staff	"Good morning" – <i>Compliance</i>	Spain (in person)	2,624
Zara Home store staff – <i>Store Managers</i>	"Masterclass" – <i>Compliance</i>	Spain (<i>online</i>)	130
Subsidiary chain store staff	"Good morning" – <i>Compliance</i>	Germany (in person)	506
		Finland/Denmark/ Norway/Sweden (<i>online</i>)	569

		Austria	3,542
		France	4906
		Romania	2,112
		Russia	2,007
		Switzerland	34
		Turkey	189
		Ukraine	824
Subsidiary chain store staff	Code of Conduct.	Argentina	1969
		Uruguay	452
		Brazil	264
		Mexico	909

In relation to the above, we should highlight the *online* training session given to our employees in Zara and Zara.com (mainly, sales teams) of the Group's Central Services, as well as factory and logistics employees, who, during the course of their professional activity, have frequent contact with suppliers and/or civil servants or public administrations. The theme of this session was mainly the Code of Conduct and Responsible Practices - especially in relation to the prevention of corruption, fraud and bribery, and conflicts of interest - the Integrity Policies and the Ethics Line.

This is one of the most important training courses, as: (i) the workforce of the Zara, Zara Home and Zara.com sales teams represent 42.7% of the total number of employees that make up the Group's sales teams (30% and 36.9% of employees in 2019 and 2018, respectively); and (ii) the groups to which this training is aimed at, employees of other departments and areas that, while not belonging to the sales teams, are also exposed to a high risk of corruption, have been extended.

In view of the above, 65.3% of the Group's Senior Management, have received Criminal *Compliance* training (33.33% and 100% of Senior Management in 2019 and 2018, respectively).

Furthermore, it is essential to transmit the corporate ethical and *compliance* culture and raise awareness among third parties with whom we have a direct business relationship. In this regard, throughout 2020, the **online training sessions** on the culture of *compliance* and corporate ethics taught by the General Counsel's Office - Office of the Chief Compliance Officer to the **supplier cluster** located in **Bangladesh** stand out, as reflected below:

Group	Topic	Region	Attendees
Suppliers			
Supplier of goods	<i>Compliance</i>	Bangladesh	111

Awareness-raising and education measures

I. Acceptance of the Code of Conduct:

All our employees adhere to the Code of Conduct and Responsible Practices and receive specific training on this at the beginning of their working relationship with the Group.

In addition, since November 2020, our employees at Headquarters and the headquarters of all chains within Spain, as well as HQ employees located in France and Portugal, whenever they access the Company's IT systems from their computer and, prior to this access, must accept our Code of Conduct and Responsible Practices. It is expected that, during 2021, this initiative will be rolled out in other European countries as well as Canada.

All our suppliers agree to comply with the Code of Conduct for Manufacturers and Suppliers before starting their business relationship with the Group.

II. Annual reminder of the prohibition of gifts – Committee of Ethics:

The Committee of Ethics sends an annual email with a reminder of the provisions contained in the Code of Conduct and Responsible Practices and the Policy on Gifts and Business Courtesies, relating to the acceptance and receipt of gifts from suppliers, attaching a letter template to be sent to the Group's suppliers to remind them of such prohibitions. This email is sent to Group executives and middle managers, as well as to the employees of the Spanish chains who, due to their relationship with suppliers or other third parties, need to be especially aware of the risks arising from corruption offences between individuals or businesses.

III. *Compliance* section on the intranet (INET) and the company website:

In order to achieve the highest possible degree of dissemination and awareness of our corporate ethics culture, all our internal standards of conduct are published and easily accessible on our company website, in the section "*Compliance*," subsection "*Corporate Ethics*", and on the INET, for the benefit of our employees. Details of the visits received on the INET website accessing the *Compliance* section as well as content related to *Compliance* are as follows:

***Compliance* content visits (total)**
154,754

INET *Compliance* section visits (total)
2,487

IV. Other communication and awareness actions

At Inditex, we also implement various internal communication and dissemination initiatives for our employees, including: (i) placement of posters on the Code of Conduct and the Ethics Line, located within the stores of the different chains and markets, directly accessible in the local language, via a QR code, (ii) publication of information leaflets *online* on INET and (iii) other communication and awareness actions (ethics/integrity sessions, *push* notifications, etc.)

In this regard, the Ethics Week held in China, with a duration of two weeks (between 7 and 18 December 2020), to promote "Integrity" as one of the Company's values within the country, included various initiatives, such as: (i) integrity promotion videos with participation of the management team (including the Group's director in China); (ii) participation of the Chinese Integrity Ambassador; (iii) competition and challenges for our employees; and (iv) placement of posters in offices and stores.

Moreover, all stores of the Inditex Group and its chains in Europe, Asia and the United States currently contain signage in workplaces. These posters incorporate a QR Code through which our employees can access the content of the Code of Conduct and the Ethics Line. In 2020, a reminder campaign was held in France on the Code of Conduct and Responsible Practices, with the publishing of a news report and a push notification, sent to a total of 9,038 employees (offices and stores).

In Uruguay, specific communication and awareness actions have been carried out with regard to the Code of Conduct, through e-mail communications, poster placement in workplaces as well as with the publication of related content on INET. A total of 306 employees have been targeted for these actions.

2.6.3 Good Corporate Governance

Corporate Governance can be defined as the way companies are organised, managed and controlled. This is therefore a speciality within the management and organisation framework of the *Compliance* System, of a general and transversal nature, which seeks to ensure compliance at all times, at the highest level, that is, by the management team and members of the Board of Directors, of the standards, recommendations and best practices in the field.

A corporate governance system has been set up at Inditex that is an essential part of corporate *Compliance*, with a series of standards, procedures and mechanisms to ensure that directors and the management team, responsible for the Company's governance, act with diligence, ethics and transparency in the exercise of their functions, to be held accountable for their activity - which is subject to internal and external verification and control - while ensuring the balance of powers, and the respect and equality of all our shareholders, especially minority shareholders.

The General Meeting of Shareholders constitutes the supreme and sovereign body of expression of the will of our shareholders, while the Board of Directors, except in matters reserved for the competency of the General Meeting of Shareholders are established as the highest decision-making, supervisory and control body of the Company, as it has been entrusted with the functions of leadership, administration, management and representation.

The Board of Directors also has a series of delegated and specialised committees for issues and competences: (i) Audit and Compliance Committee; (ii) Nomination Committee; (iii) Remuneration Committee; and (iv) Sustainability Committee.

In accordance with the internal regulations of Inditex, the Board of Directors has generally delegated the day-to-day management of business to the executive bodies and our management team, concentrating their activity on the **general supervisory function**, which includes guiding Index's policy, controlling the management bodies, evaluating the management of directors, adopting the most relevant decisions for the Company and acting as a liaison with our shareholders.

The Board of Directors is also responsible for ensuring **that the Company complies with its social and ethical duties** and its duty to act in good faith in its dealings with our employees and with third parties, and to ensure that no person or small group of persons has decision-making power within the Company that is not subject to checks and balances and that no shareholder receives privileged treatment in relation to other shareholders.

The Board performs its functions in accordance with the company's interest, understood as the **viability and maximisation of the company's long-term value in the common interest of all our shareholders**, which should not prevent the consideration of other legitimate public or private interests, which converge in the development of our business activity, and especially our stakeholders: our employees, customers, and suppliers, and civil society in general, determining and reviewing their business and financial strategies according to this criterion, seeking to establish a reasonable balance between the chosen proposals and the risks assumed.

Consequently, the objective of maximizing the company's value can only be understood as the continuous creation of value for each and every one of our main stakeholders.

In short, Inditex has established a concept of good corporate governance that is a strategic instrument for the development of our ethical, efficient and competitive business model.

To achieve these objectives, new legislation and applicable recommendations are implemented, and good corporate governance practices are systematically reinforced within the main body responsible for corporate governance, the Board of Directors, as well as in its delegated Committees. In the approval and/or review of any internal standard, the establishment of standards that improve governance and, therefore, the confidence of investors, shareholders and other stakeholders is a priority.

Inditex's corporate governance system today achieves a degree of total compliance with the regulatory requirements contained in the applicable legislation and achieves practically absolute compliance with the recommendations of the Good Governance Code of Listed Companies of the Spanish National Securities Market Commission (CNMV) (hereinafter "CBG").

The Annual Corporate Governance Report for the 2020 financial year, approved by the Board of Directors at its meeting of 9 March 2021, and available on our company website (in the "*Compliance*" section, "Good Corporate Governance", "Annual Corporate Governance Report") and on the CNMV website, provides complete and reasoned information on the Company's governance structure and practices.

a) Towards sustainable governance

Sustainability is one of the essential elements of Inditex's Corporate Governance System. In this regard, this system has been in a process of continuous review and improvement, evolving in line with international recommendations and best practices in the field, and especially with the ESG (*Environmental, Social and Governance*) criteria, towards a sustainable governance system.

The Group's commitment to sustainability is reflected at the highest level of the Company, based on the highest governance bodies, with sustainability as an integrated factor in the decision-making process.

Thus, Inditex's Corporate Governance System offers a comprehensive vision that promotes responsible governance, to preserve the interests of our shareholders, whilst at the same time, it has become aware of and is taking responsibility for the environmental, social and reputational impact of our activity, seeking to maximise long-term corporate interest through the necessary continuous creation of value for all of our stakeholders.

In this way, a socially responsible and sustainable business model is established, in continuous participatory dialogue and for the common benefit of all stakeholders involved.

This integration of sustainability into our Corporate Governance System is built through the following elements:

- **The integration of sustainability into corporate management and strategy**

In order to adapt its organisational structure at the highest level of the Organisation to the Group's strategy, clearly oriented towards the field of social and environmental sustainability, the Board of Directors approved, in its session of 11 June 2019, the creation of the **Sustainability Committee**²⁵, as an informative and consultative delegated committee, responsible for advising the Board on matters within its competence and for monitoring and controlling proposals in matters of sustainability in the areas of Human Rights, social, environmental, and the health and safety aspects of our products, as well as promoting the commitment to Sustainable Development Goals.

In other words, the Committee is responsible for monitoring our strategy and social and environmental sustainability practices. All of this allows us to define the corporate strategy, taking into account the opportunities, risks and impacts arising from sustainability, as well as the procedures for establishing, measuring and achieving sustainability objectives, taking into account the interests of all our stakeholders without losing sight of the precautionary principle, at the basis of the decision-making in the Company. This is reflected in the **Sustainability Policy**²⁶ of the Group, recently approved by the Board of Directors, at its meeting of 14 December 2020, and is consolidated into one of the previous Policies on Environmental Sustainability and Corporate Social Responsibility, and it sets out the Group's new vision and strategy in terms of sustainability.

- **The establishment of suitable mechanisms to reflect the expectations of our stakeholders**

The **Sustainability Committee** is also the body responsible for stakeholder relations in the field of sustainability.

In particular, it is entrusted with the function of supervising and evaluating - in coordination with the Audit and Compliance Committee on matters within its competence - both the communication strategy and relationship with the different stakeholders, as well as the procedures and communication channels available to us at Inditex to ensure proper and continuous communication with them.

The **Social Advisory Board** is a permanent external body of the Company, with an advisory and consultative function in terms of sustainability, both social and environmental. It is composed of persons or institutions that are external and independent to the Group. It undertakes the role of formalising and institutionalising dialogue with those interlocutors considered key in civil society, in the locations we develop our business model and, it also plays a key role in determining the materiality

²⁵ More information in the section "*Our view on sustainability*" of this Statement on Non-Financial Information.

²⁶ More information in the section "*Our view on sustainability*" of this Statement on Non-Financial Information.

matrix, in which it participates in collaboration with our stakeholders. The Social Advisory Board acts as the main interlocutor of the Sustainability Committee, maintaining an effective and continuous dialogue.

All of this also contribute to better identification and prevention of the risks and impacts relating to sustainability in our business operations.

- **Strong sustainability monitoring mechanisms**

The **Sustainability Committee** is responsible for monitoring and controlling the sustainability proposals in the areas of Human Rights, social, environmental, and health and safety aspects of our products, as well as for monitoring the strategy and practices of social and environmental sustainability.

The Committee has conferred the functions related to the monitoring and verification of the process of preparing the regulated and unregulated non-financial information. This procedure is carried out in coordination with the **Audit and Compliance Committee**, which is responsible for the latest monitoring and evaluation of the process of preparation and integrity of the non-financial information included in the director's report, ensuring compliance with all legal requirements, and also dealing with the independent verification process of this information. This coordinated action makes it possible to have a consolidated view of the effective implementation of the policies related to respective areas of competence, as well as a higher quality of non-financial information that is made available to the market.

To this end, Inditex also has the **Policy on Disclosure of Financial, Non-financial and Corporate Information**, approved by the Board of Directors at its meeting of 14 December 2020. The purpose of this Policy is to establish the framework for action and to define the general principles governing the Company's communication in terms of economic-financial, non-financial and corporate information, through both regulated and unregulated channels, with the main purpose being to ensure the protection of stakeholders and the orderly functioning of the market. The Sustainability Commission has the power to guarantee the effective application of this policy.

Among the various principles defined in the aforementioned Policy, the following are highlighted for these purposes: (b) takes as a strategic objective the transparency of information regarding the Company in relations with our stakeholders; (b) ensures that the dissemination of economic-financial, non-financial and corporate information adequately reflects the Company's principles and strategy in environmental, social and governance matters (*ESG-Environmental, Social and Governance*); and (c) seeks to ensure that information of this nature disseminated through unregulated channels is truthful and consistent with this same information previously disseminated, through regulated channels.

For its part, the **Audit and Compliance Committee, being** responsible for the monitoring and control of the effectiveness of the internal risk management and control systems, is entrusted with monitoring and evaluating financial and non-financial risks, such as those arising from the Group's actions in relation to its social and environmental sustainability practices, etc.

Members of the Sustainability Committee, including its Chairman, are also members of the Audit and Compliance Committee. The presence of cross-committee directors on both committees and the report presented by the Chairperson of the Sustainability Committee at the Board of Directors meetings on the main issues tackled in their respective meetings, ensure that the most significant issues relating to social and environmental sustainability are taken into consideration in the deliberations of the Audit and Compliance Committee, allowing better identification of the risks and opportunities associated with these matters.

The **Committee of Ethics** is an internal body reporting to the Board of Directors, through the Audit and Compliance Committee, and is made up of the following:

In order to ensure proper monitoring, as set out in Paragraph 2.6.2.b) above, the Committee of Ethics reports to the Audit and Compliance Committee at least every six months.

- **The link between sustainability performance and the remuneration system of our Executive Directors and Senior Management**

Inditex has a **Directors' Remuneration Policy**, approved by the Annual General Meeting on 17 July 2018, and subsequently amended at the Meeting held on 16 July 2019, in force for the 2019, 2020 and 2021 financial years. This policy is accessible on the Company's website in the new "*Compliance*" section, "Good Corporate Governance", "Annual General Meeting".

The principles and basis for the Remuneration Policy in relation to the remuneration of executive directors for the performance of executive functions include, among others, the following:

- **Moderation:** Remuneration is proportionate to the characteristics of the Company and the business model, always based on the principle that it is neither excessive nor so insufficient that would result in taking inappropriate risks.
- **Link to the strategy:** Part of the remuneration is linked to the achievement of the objectives that comprise the Group's strategy. Progress in sustainability and environmental commitment is an important criterion.
- **Long term:** It is in line with the Company's long-term values and objectives.

In accordance with this Policy, the executive directors' remuneration package consists of a fixed element, a variable remuneration element in the short term or annual period, and a variable remuneration element in the long term or multi-year period.

This remuneration mix is based on a balance between the fulfilment of short-, medium- and long-term objectives, which allow the remuneration of continuous performance over a period of time to assess its contribution to sustainable value creation.

Furthermore, the perception of the variable remuneration of our Executive Directors, both annual and multiannual, is linked to the fulfilment of certain sustainability objectives (environmental, social and corporate governance). These objectives are aligned with the Group's sustainable strategy, which considers all the Inditex stakeholders, and allow the development of this strategy.

Details of the objectives, measurement criteria, as well as the achievement scales associated with each of the sustainability objectives linked to the variable remuneration of the Executive Directors are included in the Annual Directors' Remuneration Report, corresponding to the year 2020, approved by the Board of Directors at its meeting of 9 March 2021, and available on our company website (in the "*Compliance*" section, "Good Corporate Governance", "Remuneration Report") and on the CNMV website.²⁷

²⁷ More information on the Remuneration of Directors and Senior Management in section 3.4.3. "*Remuneration of Directors and Senior Managers*" of the Statement on Non-Financial Information.

The alignment of sustainability objectives to the remuneration system is extended to the Group's Senior Management²⁸.

- **Our commitment to diversity reflected in the composition of governing bodies**

At Inditex we have the **Inditex Diversity and Inclusion Policy**²⁹ Approved by the Board of Directors in December 2017, and partially amended in December 2020, it establishes the framework promoting the values of diversity, multiculturalism, acceptance and integration in all entities of the Group, and which is driven at the highest level of the Company.

Thus, the Nomination Committee is the specialised body of the Board involved in the selection, appointment, ratification and re-election of our directors. The main performance criteria of this Committee is to guarantee diversity in the composition of the different corporate governing bodies of our Company, including among its criteria the consideration of diversity of knowledge, skills, experiences, age, international experience or geographical origin and, especially, gender.

As the Nomination Committee has considered in its analysis of the requirements of the Company and the Board of Directors, as set out in the corresponding supporting report dated 8 June 2020, the following can be concluded with regard to the current composition of Inditex's Board of Directors:

- (i) A diverse membership in terms of factors such as origin, knowledge and experience, especially promoting technological profiles and *expertise* in sustainability in line with the Group's strategic axes.



- (ii) A balance in the presence of men and women.

These conclusions were ratified by the Board itself, in its report approved on 9 June 2020. Both reports were published on the company website at the time the Annual General Meeting was convened.

With regard to gender diversity, the Committee has displayed a consistent effort in maintaining the highest levels of female representation possible. A clear example of this is that in 2019, the target established in the Directors Selection Policy in force at that time was exceeded by 30%, and following this, the Group received a recommendation from the Code of Good Governance of listed companies. Additionally, in the recent amendment of Inditex's internal regulations, approved by the Board of Directors at its meeting of 14 December 2020, the Committee has set a **new target of 40% of female directors out of the total number of Board members, to be reached by the end of 2022.**

Governing Bodies	%
Board of Directors	36.36%
Audit and Compliance Commission	42.85%
Nomination Committee	40%
Remuneration Committee	20%
Sustainability Committee	60%

²⁸ More information in section "Our approach to sustainability" of this Statement on Non-Financial Information.

²⁹ For more information, see section 3.2.2 "Diversity and Inclusion Policy" of this Statement on Non-Financial Information.

The Committee is also assigned functions related to the appointment and removal of members of Senior Management, and must also ensure gender diversity and the promotion of female leadership, **promoting the presence of a significant number of female senior managers.**

This commitment to diversity is reflected both in the operating regulations governing the Board of Directors and the Appointments Committee, and in the Diversity of Board of Directors Membership and Director Selection Policy (available in the "*Compliance*" section, "Good Corporate Governance", "Annual General Meeting" on the Company's website), as well as in the Group's Diversity and Inclusion Policy.

Diversity in a company's governing bodies contributes to it having a plural vision, helping to identify risks and opportunities and, consequently, to achieve corporate objectives. Diversity promoted by the governing bodies and Senior Management also assists the promotion of equal opportunities throughout the organisation, as well as a diverse and inclusive work environment, which contributes in an essential way to the achievement of Inditex's corporate objectives and better business performance.

b) Organisation and operation of governing bodies to confront the challenges of COVID-19

The impact of the global health crisis arising from COVID-19 on the normal functioning of the Company's governing bodies is evident, which, since it began, has already demanded the adoption of exceptional measures to adapt operations and work dynamics.

- Annual General Meeting

In a context marked by specific measures restricting mobility in certain parts of the national territory, and in order to guarantee the normal operation of the Company and the achievement of its objectives, as well as protect the interests of our shareholders and other stakeholders, the Annual General Meeting of Shareholders of 14 July 2020 was held with both physical and remote attendance and participation of shareholders.

The Company put in place and made available to them the required means and resources to ensure equal treatment of shareholders and the exercise of their rights to attend and participate at the Annual General Meeting remotely, using means allowing for remote and real time connection.

The Company further implemented all necessary preventive measures to preserve the health of staff members responsible for arranging the Annual General Meeting and of the shareholders and proxy holders who chose to attend in person.

- Board of Directors and delegated Committees

Another major aspect of COVID-19 has meant that the Board of Directors and its Committees have held virtual meetings, via video conference or conference call systems.

This situation has also affected the schedule of the Board of Directors and its delegated Committees, as well as the degree of involvement and participation of our Directors, as the frequency of the sessions and communication between them has increased in order to monitor the situation closely.

Furthermore, regular meetings were held throughout 2020 to update processes related to COVID-19 and to analyse possible effects on the business, and achieve strategic objectives.

Dialogue, coordination and interaction between executive directors, senior management and those responsible for the business units of the different locations have also been strengthened to ensure adequate monitoring and information flow, allowing for rapid and appropriate decision-making, especially in relation to the Group's critical or higher-risk areas.

Among the decisions taken by the Board of Directors during the crisis management, it is worth highlighting the measures aimed at preserving the Company's liquidity, such as the reduction of the annual variable remuneration of executive directors and senior management by 50% or the reconsideration of the extraordinary dividend policy, in view of the existing circumstances. In addition, the business plan has been updated to adapt it to the new situation.

Finally, in a clear digital context, new tools have been introduced for the use of the Directors, in order to facilitate their participation, allowing them to be properly recognised and to cast their votes, all in a secure environment.

To conclude, the crisis resulting from the pandemic has highlighted the importance of maintaining a well-articulated corporate governance scheme and practices that can respond to such disruptive challenges.

3. DRIVE

We strive to go above and beyond: we want our employees to develop their skills; we want to enable our customers to access our products from any environment through the digitalisation of the company; and we want our customers, employees, and suppliers to share our vision of creating a more sustainable world. We also continue to strengthen our transformational role in the supply chain through tools that promote, among other things, a living wage and the empowerment of women.

3.1 INNOVATION AND DIGITALISATION

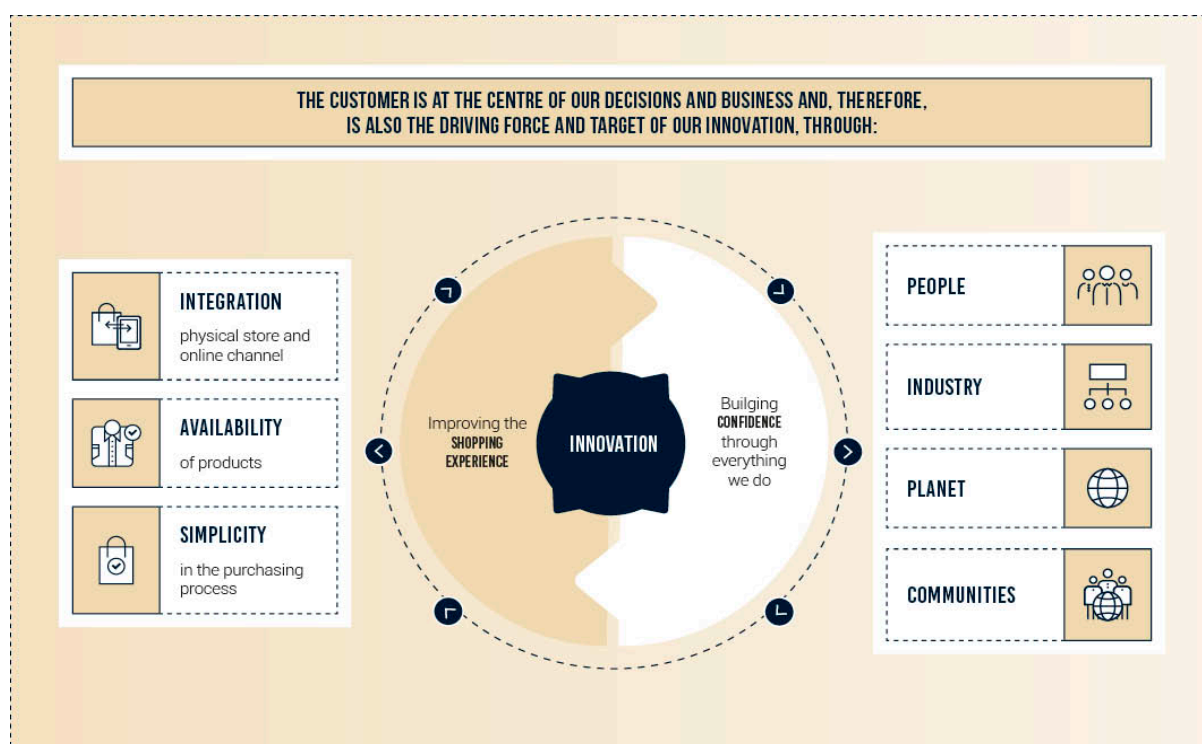
Related issues: Innovation; Customer orientation



3.1.1 Customer-focused innovation

The **customer** is at the **centre of our decisions and business** and, therefore, is also the driving force and **target of our innovation**. We strive to listen to our customers to understand what they want and expect from us. We believe that this **active and constant focus** on customer needs is the key to successfully innovating our **products** and **shopping experience**.

In addition, we believe that our innovation must enable us to respond to the **trust of our customers** by aligning with their **expectations** in terms of efficiency, sustainability, health and safety, data protection and privacy, and our commitment to generating positive environmental impacts and contributing to the welfare of society.



a) Improving the shopping experience

We use innovation to respond to the challenges we face, offering a shopping experience that meets ever-more demanding and shifting expectations. In this area, we focus our innovation activities on improving the features or aspects that we believe are essential for our customers to have an **excellent shopping experience: integration, availability, and ease of use**.

Innovation in this area is focused on ensuring that our customers have an **integrated shopping experience between the physical and *online channels***. However, rather than just combining both channels, it aims to create a symbiosis and mutual reinforcement of the shopping experience to **improve customer satisfaction**.



INTEGRATION of the physical store and online channel

As our customers continue to embrace digital technology, there is an increasing demand for the ability to carry out the purchasing process from any location with a seamless, transparent and efficient interaction between the different sales channels.

The logical incorporation of *stock* provides **extreme flexibility and integration of the logistics model**, in which each component is **highly versatile and multifunctional** rather than being assigned a fixed set of functions. This enables us to adapt our stock efficiently to the demands of our customers, establishing dynamic *stock* flows between the different components, including *online* orders from stores and any other possibilities that streamline product availability for customers.

To ensure a unified overview and efficient movement of *stock*, we have developed **new IT systems** that provide real-time processing of *stock* movements at all locations, including distribution centres equipped with *Internet of Things* technology, stores with RFID technology, and the headquarters of our logistics providers, with which we are fully integrated.

Our constant focus on innovation in optimal integrated *stock* management has enabled us to adapt rapidly to the health restrictions in our physical stores and to increase orders through our *online* channel.



AVAILABILITY of products

A successful shopping experience relies on our customers having access to the products they want, wherever and whenever they want, through a simple, agile and efficient shopping process that meets their expectations.

Making our items available to our customers when they need them is one of the fundamental principles of our business model. **Design, manufacturing, storage, distribution, and sales processes** must operate seamlessly and efficiently to achieve this goal with **maximum effectiveness**.

To ensure the timely availability of items, we develop **advanced analytical tools** to estimate the demand for our products by incorporating our knowledge of changing trends, the influence of external events, and consumer behaviour. By combining technology and business insight through an efficient and optimal approach, we strive to allocate the minimum *stock* required to complete specific sales in each location, both for physical stores and the *online* channel. As a result, we reduce the minimum *stock* needed to meet the customer's purchasing needs,

thereby preventing overproduction and achieving a sustainable balance of manufactured units.

SIMPLICITY in the purchasing process

Simplicity in the purchasing process is one of the main factors influencing customer satisfaction in terms of the shopping experience. Therefore, we implement innovative solutions in each stage of the process to maximise customer satisfaction.

- **Discovery:** We actively listen to feedback related to in-store and *online* product searches and process this information through innovative analytical systems that enable us to make product coordination proposals to meet our customers' needs and facilitate their decision-making.
- **Choice:** We facilitate the finding of items intuitively through product coordination through a combination of geolocation and virtual presentation, both through the customer's mobile app and the iPads used by our people in-store.
- **Trying on items:** We strive to reduce the waiting times involved with trying on items by providing our customers with tools to optimise fitting room management and improve their shopping experience. We also ensure social distancing between our customers to provide a safe environment in our stores.
- **Purchasing:** In the final phase of purchase and payment, we innovate to offer alternatives that simplify the process and reduce waiting times for our customers, offering solutions such as self-checkouts and automated order collection points.

This **comprehensive approach to guiding our customers** through the purchasing process forms the basis of our business model and illustrates how we have always operated as a company. This process has now been enhanced by implementing **innovative analytical systems** that enable us to **process and analyse customer interactions in real time** while respecting their privacy and to develop simple purchasing processes adapted to their ever-changing tastes and needs.

b) Building customer confidence

At Inditex, we are aware that our customers' expectations are not solely driven by the excellence and quality of our products and comprehensive service. Consumers also demand the guarantee that all our practices are carried out under the highest **standards of efficiency, sustainability, diversity, responsibility, accountability, transparency, commitment, and contribution to social welfare**.

For this reason, our innovation places a strong focus on fulfilling this expectation of trust through projects that foster our **ongoing commitment to making a positive impact** on the people that make up Inditex, our supply chain, the environment, and, in general, all the communities and environments in which we operate.

PEOPLE

Without a doubt, the people who form part of Inditex are the key to harnessing all our innovative capacity for the benefit of the customer. For this reason, our management approach focuses on ensuring that people remain

	<p>a constant source of innovation by providing our employees with development and growth initiatives within the Group.</p> <p>Therefore, we innovate how we attract, train, and promote the development of our employees by connecting with them and identifying the roles for each talent that add the most value to the company.</p> <p>Talent management: We launch new projects to provide growth opportunities for our people. Likewise, we are committed to fostering continuous training and learning environments and harnessing new technologies and programmes to broaden the skill set of our teams for optimal customer service in any environment.</p> <p>Remuneration: We design remuneration systems that are continuously tailored to our business objectives, aligning our employees with the company's strategic priorities.</p> <ul style="list-style-type: none"> • Process automation: We work across the board to develop new digitalisation and process automation techniques, resulting in greater operational agility and security and an improved experience for our employees and candidates.
<p>INDUSTRY</p>	<p>A cornerstone for ensuring our customers' trust is our commitment and desire to continuously improve the efficiency of our processes and operations and the working conditions of the people who form part of our business and ecosystem.</p> <p>We believe in implementing a comprehensive approach to innovation that not only focuses on aspects directly related to our company and business model but also includes the development of open and shared solutions to achieve a sustainable and total transition towards the circularity of the textile sector as a whole, including industries, processes, and ancillary services.</p> <p>Therefore, we strive to optimise technology, transparency, procedures, and standards to ensure across-the-board compliance with our comprehensive social, environmental, and product health and safety standards within our systems and throughout the entire supply chain by working with our suppliers.</p> <p>In recent years, Inditex has continued to innovate and develop tools and processes to identify all suppliers and factories involved in the production process and share precise data with all stakeholders with real-time analysis to facilitate efficient, secure, operational, and digital decision-making.</p> <p>We also develop innovative initiatives to improve the working conditions and quality of life of employees in the supply chain. These include our Lean project, initiatives to promote the use of mobile banking tools for the digitalisation of salaries, and social sciences research work carried out in partnership with leading academic institutions to gain a deeper understanding of the needs of employees and collaborate with suppliers in improvement programmes.</p>

PLANET

At Inditex, we are committed to promoting and leading innovation initiatives that promote **environmental excellence** in all its dimensions and circularity: waste minimisation (zero waste), textile recycling (*upcycling*), pollution prevention (non-toxic products and processes), and combating climate change (decarbonisation and efficient use of resources).

We believe in implementing a comprehensive approach to innovation that not only focuses on aspects directly related to our company and business model but also includes the **development of open and shared solutions** to achieve a **sustainable and total transition towards the circularity of the textile sector as a whole**, including industries, processes, and ancillary services.

To achieve this goal, we take an **open, proactive and collaborative approach** with other organisations as a driver of positive impact, seeking the widespread adoption of sustainable best practices in the sector.

- **Circularity:** We focus on developing new solutions to achieve the goal of eliminating the waste we produce. We take three parallel and complementary approaches to this ambitious challenge: ecodesign and sustainable raw materials; development of solutions for fabric cutting waste; and, research into recycling and new fibres. Our zero-waste target is not limited to the textile sector but encompasses all waste generated from packaging and transport and at our stores, logistics centres, and headquarters. *See section 3.7 of this Statement on Non-Financial Information for more information on circularity.*
- **Safe products and sustainable manufacturing:** Two of our top priorities are offering our customers healthy and safe products and non-toxic and sustainable manufacturing processes. With this in mind, we have developed pioneering and ground-breaking research programmes (the first of their kind in the industry) to gain a better understanding of the characteristics of the substances present in production and the commercial chemicals used throughout the manufacturing chain. These scientific initiatives openly cover all chemicals and substances typically present in textile industry processes (not only in our production chain) to assure our customers that our products are completely safe and have been manufactured in an environment free from the presence and release of hazardous substances. *See section 4.2.4 "Health & Safety aspects of our products" of this Statement on Non-Financial Information for more information on safe products.*
- **Decarbonisation:** In addition to the innovative approach to textile production systems, we apply innovative solutions to ensure that all the complex operations that make our products available to our customers are carried out under the premises of resource efficiency and decarbonisation. We are also continuously developing new approaches to optimise and improve our sustainable store concept with a comprehensive and holistic approach. At Inditex, we are pioneers in developing systems for managing and controlling the energy consumption of our stores through tools (Inergy and EcoCenter) that enable us to monitor and obtain real-time and centralised data on the energy consumption of all our stores. These systems provide immediate

	<p>and centralised energy management and the possibility to take immediate remote action without the need for travel or physical intervention. <i>See section 4.1.2 "Our approach to decarbonisation and energy management" of this Statement on Non-Financial Information for more information on decarbonisation.</i></p>
<p>COMMUNITIES</p>	<p>To implement our community investment programme, we establish social innovation criteria when selecting the initiatives that we finance, prioritising new approaches and different ways of addressing and providing solutions to social needs. The projects we support must be more effective and sustainable than previous initiatives. Furthermore, we take an innovative approach to designing our community investment model, prioritising and selecting the most disruptive initiatives that contribute to the overall improvement of the well-being of the communities in which we operate. In this regard, we invest in research projects on new diseases, the development of new healthcare protocols, the improvement of water supply and sanitation in developing countries and research in the field of education and social economy. In addition, we develop methodologies, systems and metrics to analyse and measure the positive effects on the project beneficiaries in terms of the degree and type of impact.</p> <p>In the current situation, we have focused our expertise in social innovation on manufacturing and supplying healthcare equipment, putting our logistics, procurement, and business management experience at the service of the community.</p>

3.2 DIVERSITY, INCLUSION, EQUALITY, AND WORK-LIFE BALANCE

Related issues: Diversity, Equality and Inclusion, Human Rights, Stakeholder engagement



3.2.1 About us

At the end of FY2020, Inditex has a team of **144,116 people**, spread across 60 markets, representing 171 nationalities (176,611 people, 60 markets and 172 nationalities in 2019, and 174,386 people, 60 markets and 154 nationalities in 2018, respectively).

Five defining features distinguish our staff:

- Female majority
- Generational diversity
- Importance of the store
- International presence

- **Horizontal structure**

Inditex is a company with a **majority female presence**. However, the proportion of women to men has steadily become more balanced over the last decade. Currently, 76% of our employees are women, compared to 24% of men.

	2020		2019		2018	
	Workforce	%	Workforce	%	Workforce	%
Female	109,323	76%	133,465	76%	131,385	75%
Male	34,793	24%	43,146	24%	43,001	25%
TOTAL	144,116	100%	176,611	100%	174,386	100%

Secondly, Inditex's workforce is marked by its **generational diversity**. Our teams are currently made up of different generations of employees, the largest proportion being younger members of staff. The average age is 30.1 years old (28.9 years old in 2019 and 28.7 years old in 2018).

Age	2020		2019		2018	
	Workforce	%	Workforce	%	Workforce	%
Under 30 years old	77,597	54%	107,042	61%	107,639	62%
30 to 40 years old	45,792	32%	49,336	28%	48,709	28%
Over 40 years old	20,727	14%	20,233	11%	18,038	10%
TOTAL	144,116	100%	176,611	100%	174,386	100%

Thirdly, **stores play a key role in Inditex's organisation**. In fact, 86% of our employees work in stores. The Group's other areas of activity (i.e., factories, logistics and central services) provide service to the integrated store and *online* platform of our eight brands, comprising a network of 6,829 stores in 96 markets and 202 markets with *online* stores.

Activity	2020		2019		2018	
	Workforce	%	Workforce	%	Workforce	%
Stores	123,660	86%	154,465	87%	152,057	87%
HQ	10,844	7%	11,386	6%	11,547	7%
Logistics	8,862	6%	9,932	6%	9,929	5%
Factories	750	1%	828	1%	853	1%
TOTAL	144,116	100%	176,611	100%	174,386	100%

Fourth, Inditex's workforce is characterised **by its international presence**. This situation enriches staff management as it enables us to respond to the local reality of each market and apply global management policies. Spain, with 40,279 employees, accounts for 28% of the total workforce.

Geographical Area	2020		2019		2018	
	Workforce	%	Workforce	%	Workforce	%
Americas	16,788	12%	19,749	11%	20,785	12%
Asia and Rest of the World	17,215	12%	23,541	13%	23,452	13%

Spain	40,279	28%	48,687	28%	47,930	28%
Rest of Europe	69,834	48%	84,634	48%	82,219	47%
TOTAL	144,116	100%	176,611	100%	174,386	100%

The staff distribution by market is as follows:

Market	Workforce		
	2020	2019	2018
Spain	40,279	48,687	47,930
Spain-permanent staff	36,627	36,632	35,745
Russia	9,119	10,696	10,365
France	8,729	10,030	9,414
Mainland China	7,113	11,169	11,680
Hong Kong SAR	558	1,020	1,252
Macao SAR	105	170	181
Taiwan, China	498	626	649
Italy	6,890	8,626	8,600
Mexico	5,334	5,897	7,137
Portugal	5,050	7,247	7,001
United States	5,080	6,310	6,267
Germany	4,753	5,531	5,874
United Kingdom	4,398	5,429	5,486
Poland	4,040	4,679	4,617
Turkey	3,956	5,166	4,896
Greece	3,639	4,278	4,014
Japan	3,488	4,314	3,979
Belgium	2,562	2,945	2,818
The Netherlands	2,536	3,018	2,856
Brazil	2,418	2,849	2,810
Romania	2,238	3,027	2,864
Canada	2,077	2,595	2,466
Australia	1,501	1,636	1,504
Switzerland	1,478	1,564	1,506
South Korea	1,269	1,673	1,514
Austria	1,253	1,455	1,477
India	1,173	1,294	1,227
Ukraine	1,170	1,390	1,326
Croatia	923	1,160	1,078
Argentina	848	872	885
Hungary	818	1,126	1,067
Kazakhstan	746	779	723
Ireland	743	854	882
Sweden	736	844	833
Chile	726	871	878
Serbia	656	736	742

Bulgaria	600	716	733
South Africa	524	633	548
Czech Republic	505	700	643
Norway	363	386	383
Bosnia and Herzegovina	314	424	360
Slovakia	305	359	302
Uruguay	305	355	342
Luxembourg	300	318	179
Denmark	292	329	335
Belarus	278	290	298
Finland	249	260	269
Slovenia	235	276	267
Albania	221	243	263
Kosovo	215	211	157
North Macedonia	132	154	155
New Zealand	119	115	99
Montenegro	99	128	123
Bangladesh	62	59	57
Monaco	39	39	36
Morocco	34	26	16
Vietnam	15	15	13
Cambodia	4	6	4
Singapore	4	4	4
Pakistan	2	2	2
TOTAL	144,116	176,611	174,386

Fifth, Inditex is a company with a **horizontal organisational structure** that fosters open and continuous communication and collaborative work. We look at job classifications from a broad perspective, and store employees play a crucial role in each level.

Professional Classification	2020		2019		2018	
	Workforce	%	Workforce	%	Workforce	%
Management	12,591	9%	10,473	6%	7,601	4%
Supervisors	16,480	11%	19,779	11%	20,350	12%
Specialists	115,045	80%	146,359	83%	146,435	84%
TOTAL	144,116	100%	176,611	100%	174,386	100%

The description of the functions of the three job classification groups is:

- **Manager:** employees in management positions responsible for interdisciplinary working groups related to the areas of design, manufacturing, distribution, logistics, stores, technology, sustainability, and other general services. Store managers are included in this category.
- **Supervisor:** employees who form part of interdepartmental working groups that interconnect the activities of design, logistics, stores, sustainability, technology, and other general services.

- Specialist: employees that have an impact due to their individual contribution, related to one of the Group's activities in the areas of design, manufacturing, distribution, logistics, stores, sustainability, technology, and other general services.

3.2.2 Diversity & Inclusion Policy

One of our greatest strengths at Inditex is our commitment to **diversity and multiculturalism**. Our goal is to build diverse teams with members who share their unique perspectives and experiences and promote an inclusive business culture. In this way, our teams are made up of people from different backgrounds, cultures, origins, and experiences, where there is always room for diversity: gender, gender identity and expression, sexual orientation, race, ethnicity, age, education, socioeconomic status, disability, and religion, among others.

We realise that people are unique by virtue of their differences and similarities. Therefore, we firmly believe that having diverse talent helps us better understand the diversity of our customers and the communities with which we engage.

Our Group also advocates a culture of **inclusion, equality and respect**. We promote equitable work environments based on an atmosphere of understanding and acceptance, where everyone has the opportunity to reach their goals and develop their talents. We also maintain a zero-tolerance policy towards discrimination of any kind.

Recognising that a diverse and inclusive work environment is a crucial contributor to the achievement of Inditex's corporate objectives and improved business performance, in 2017, the Board of Directors approved the Inditex Diversity and Inclusion Policy, establishing the framework that promotes the values of diversity, multiculturalism, acceptance, and inclusion in all the Group's companies, which is endorsed by Senior Management.

In this regard, our staff are responsible for **fostering diverse and inclusive workplaces, promoting equal opportunities, collaboration, and respectful communication between people**, both internally and externally.

Due to the support that diversity and inclusion have at the highest level in Inditex, in December 2020, the Board of Directors updated the Diversity and Inclusion Policy. In this sense, Inditex endeavours to ensure the absence of discrimination of any kind (particularly gender-based discrimination) in the appointment of board members or Senior Management. Measures will also be taken to promote diversity.

The successful implementation of the Diversity and Inclusion Policy is only possible through the commitment of all the people who make up the Inditex Group. All areas, departments and subsidiaries of the Group are responsible for implementing the Diversity and Inclusion Policy and, in particular, following the corresponding guidelines.

The teams responsible for Diversity and Inclusion and the Human Resources managers at each work centre are responsible for handling any queries regarding the Diversity and Inclusion Policy. In addition, Inditex has a Committee of Ethics and an Ethics Line that guarantees compliance with the Diversity and Inclusion Policy while receiving and responding to feedback, queries and complaints made in good faith regarding its interpretation, application or compliance³⁰.

³⁰ More information on the Committee of Ethics and the Ethics Line in section 2.6.2 (c) "*Compliance and criminal risk prevention system*" of this Statement on Non-Financial Information.

The Diversity and Inclusion Policy is rooted in Inditex's Code of Conduct and Responsible Practices based on the principles of respect, acceptance and equality. Likewise, it is aligned with the Group's *Compliance* Policy and Human Rights Policy.

Inditex actively encourages all individuals and/or legal entities linked to the company by a non-employment relationship to adhere to its Diversity and Inclusion Policy: customers, suppliers, contractors, and workers in the supply chain, as well as people involved in our recruitment processes.

As part of the Human Resources team, the Equality, Diversity and Inclusion department is responsible for promoting all diversity and inclusion initiatives and training programmes in the Group and ensuring that the Diversity and Inclusion Policy serves as a guide for all the Company's actions, particularly in the area of human resources: recruitment and selection of candidates, remuneration and benefits, promotions, transfers, professional development and training, demotions, dismissals and other disciplinary measures, etc. Appropriate corporate governance structures may be created to support Inditex's Diversity and Inclusion strategy.

3.2.3 Global Initiatives to Promote Diversity and Inclusion

In 2020, our subsidiaries in Italy, the Netherlands and Sweden signed the *Diversity Charter*, joining other subsidiaries in Europe, including France, Germany, Croatia, Romania, and Slovenia, which became signatories in 2019. The *Diversity Charter* is an initiative of the European Commission, whereby signatory companies undertake to promote the fundamental principles of equality and non-discrimination and foster diversity and inclusion in the workplace. Other European subsidiaries of Inditex are expected to join this initiative in 2021.

We have been signatories to the *Open to All* pledge in the United States since 2019, **which has been signed by more than 50 fashion companies from all over the world**. This campaign aims to raise awareness and visibility of the importance of protecting people from discrimination in public retail spaces.

In addition, we have appointed different employees as diversity and inclusion ambassadors since 2018. These ambassadors, referred to as *Diversity Champions*, are acknowledged for promoting equality and respect at our subsidiaries in Europe and stores in the United States. To date, a total of 120 *Champions* have been selected in these countries.

Internally, we celebrated **World Day for Cultural Diversity for Dialogue and Development** for the first time on 21 May 2020. The United Nations created this day to raise awareness of the importance of intercultural dialogue, diversity and inclusion to combat stereotypes and engage and support diversity through real actions in our everyday lives. Meanwhile, we launched a campaign through INet, our corporate *app* for employees, and implemented communication and awareness-raising actions at *morning meetings* at our stores in more than 30 markets.

Our **global efforts to promote the values of diversity, equity and inclusion** were recognised in 2020 with a 5th place ranking in Refinitiv's *Top 100 Diversity and Inclusion Companies*, an index that examines published data from more than 9,000 companies worldwide, analysing 24 metrics across four pillars: *Diversity, Inclusion, People Development, and News & Controversies*.³¹ In 2020, Inditex was included in the *Financial Times Diversity Leaders* ranking, which lists the 850 leading companies in the field of diversity and inclusion in 16 countries, selected from more than 15,000 companies across Europe.

³¹ More information in section 5.4 "*Recognition and accolades*" of this Statement on Non-Financial Information.

3.2.4 Gender Equality

Gender equality and women's empowerment form an essential part of our corporate culture. With women making up 76% of our staff, we foster more diverse and inclusive work environments where women feel empowered in their professional development.

We strive to develop the **professional potential of all our employees** while eliminating any discriminatory practices that deprive women of the same opportunities that men have for professional development.

We ensure equitable access to professional development opportunities, promote lifelong learning, and work to create safe spaces free from gender-based harassment and violence that may undermine the well-being of women in the workplace. In addition, we promote wage parity³².

By nurturing female talent, we have continued to make steady progress in women's leadership within our organisation. In fact, in 2020, 81% of management positions at Inditex were held by women (79% in 2019), and, **over the last five years, the female representation has increased significantly on the Board of Directors** (+14 percentage points since 2016, standing at 36% in 2020), in our subsidiary directors (+14 percentage points) and on the Executive Committee (+5 percentage points).

In January 2021, as a result of its commitment, Inditex was included for the second year running in **the Bloomberg Gender-Equality Index**. This index lists the companies that demonstrate the strongest commitment to gender equality through their policies and transparency in reporting their gender-related programmes and data. Furthermore, this year, Inditex was among the highest-ranked companies in the *World Benchmarking Alliance's* annual *Gender Equality Index*.

The **equality plans** of Inditex companies in Spain (including companies that are currently negotiating them) set forth measures related to several aspects of the employment relationship, such as selection, recruitment, promotion, training, occupational health, remuneration, and work-life balance. These measures are designed to prevent situations of gender-based inequality and promote equal opportunities.

The monitoring committees for these plans meet every six months to check the fulfilment and effectiveness of the measures. These plans also include anti-sexual and/or anti-gender-based harassment protocols defined under the framework of these plans. In addition, since 2019, we have provided an inclusive language guide to help our teams to promote inclusive communication in the workplace.

Meanwhile, we continue to develop work plans and monitoring and evaluation systems to promote gender equality and women's empowerment in our subsidiaries. **In 2020, France, Italy and Sweden obtained the GEEIS (*Gender Equality European and International Standard*)** certification, which recognises companies that promote equality between men and women in work environments and helps to identify opportunities for improvement in the workplace. These countries join Belgium and the global corporate group, which obtained the certification in 2018. Over 2021, other Inditex subsidiaries will continue to apply for this certification.

In the field of talent development, in 2020, Inditex launched its *Women in Tech* initiative to promote an inclusive technological world that fosters the **role of women in innovation and science**. We believe that technology enhances job opportunities and encourages millions of women of all ages to pursue a career in this sector. Therefore, *Women in Tech* seeks to make an impact in professional and academic spheres through **awareness-raising activities, skills and leadership development**, and professional networking events with female leaders from different fields.

³² More information in section 3.4.1. "*Pay gap*" of this Statement on Non-Financial Information.

Likewise, Inditex has a firm commitment to preventing gender-based violence. Every year, we promote information and awareness campaigns at all our work centres to mark the International Day for the Elimination of Violence against Women (25 November). With a view to work towards this goal, in 2013, the Group and the then Ministry of Health, Social Services and Equality signed a collaboration agreement to promote awareness and the integration of victims into the labour market. In this context, the Salta Programme, which aims to incorporate young people in vulnerable situations into the labour market, also generates employment opportunities for gender-based violence victims. The Salta Programme operates in Spain, France, Italy, Greece, Germany, the United Kingdom, Poland, Portugal, Mexico, Brazil, the United States, South Korea and Turkey.

3.2.5 Inclusion of People with Disabilities

At Inditex, we are committed to complying with the principles of universal accessibility, particularly for our employees and customers with any form of disability.

We prioritise ensuring that **all our workplaces** meet the **functional and dimensional requirements** that guarantee independent use for people with disabilities or reduced mobility. Meanwhile, we also strive to make technical adaptations to any workplaces that require specific modifications to improve accessibility for people with reduced mobility and other types of sensory, visual or hearing impairments.

We also **believe firmly in supporting employment for people with disabilities**.

According to the Group's data for the end of the 2020 financial year, Inditex directly employs 1,325 people with disabilities and has implemented alternative measures equivalent to 91 workers (1,568 people with disabilities and alternative measures equivalent to 180 workers in 2019, and 1,498 and 186 in 2018, respectively). In this regard, due to the heterogeneity of legislation in the markets where our company operates, local regulations may differ from their Spanish counterparts, either due to the absence of minimum hiring quotas or the strict observance of personal privacy and the right not to disclose disability information. As a result, in some cases, we do not have access to the corresponding information.

Disability inclusion is a pillar of our diversity and inclusion strategy. For this reason, between November and December 2020, over 4,000 stores in more than 40 Inditex subsidiaries have collaborated in the *Impact Week* Project to **promote inclusive environments for our teams and customers with disabilities**. To celebrate this disability week, the teams have implemented initiatives in several work areas, such as inclusive customer service, barrier-free communication, accessibility, and recruitment of people with disabilities. This project aims to help people who encounter barriers every day to have a more integrated life in our society.

A further example of an initiative aimed at the social and professional integration of people with disabilities is the *for&from* programme, a network of social stores in our chains, managed by non-profit organisations and staffed by people with disabilities. The *for&from* programme currently has 15 stores that generate over 200 jobs for people with different types of disabilities. All the profits from our *for&from* stores are channelled back into social projects run by our partner organisations³³.

3.2.6 LGBT+ inclusion

To combat discrimination against LGBT+ people in the workplace, in 2018, we signed up to the *UN LGBT+ Standards of Conduct*. These principles, developed in conjunction with the *Institute for Human*

³³ More information on the *for&from* Programme in section 5.2." *Community Investment*" of this Statement of Non-Financial Information.

Rights and Business, build on the *UN Guiding Principles on Business and Human Rights* and incorporate the insight of hundreds of companies from various sectors.

On an international level, we have been a partner of the *Open for Business* coalition since 2016, which unites leading global companies that advocate for LGBT+ inclusion and rights. This platform strives to demonstrate that more inclusive societies are better for business and that companies that promote LGBT+ inclusion are more dynamic, productive and innovative.

In Spain, in 2018, Inditex joined **REDI (Business Network for LGBT+ Diversity and Inclusion)**, which promotes an inclusive environment in organisations while seeking to eradicate stereotypes and place value on the talent of employees regardless of their identity, gender, gender expression, or sexual orientation.

In June and July 2020, several Inditex subsidiaries in Europe and North America celebrated LGBT+ Pride. In addition, between 2019 and 2020, we also collaborated with the Stonewall Community Foundation to fund two transgender support programmes in the United States. Furthermore, our US subsidiary launched an inclusion programme for transgender and non-binary people and developed training, which will be provided to all employees between 2020 and 2021.

3.2.7 Against all forms of racism and discrimination

As a company that firmly believes in the equality of all people, in June 2020, amidst the events of the *Black Lives Matter* movement, our Executive Chairman Pablo Isla, published a statement expressing **Inditex's commitment against all forms of racism around the world**. As a global company that forms part of the fashion community, our values are rooted in diversity, equality and respect for human rights.

We are committed to working towards a better future by implementing real and significant measures to improve the way we work, engage with each other, and provide service to our customers. We also understand that **education is a crucial component of any long-term change**. Therefore, we are committed to expanding educational programmes to combat racism and discrimination.

In this context, in 2020, we made a **financial donation to the NAACP Legal Defense and Educational Fund**, an organisation in the United States that actively fights racism, discrimination and injustice, particularly within African-American communities.

At the European level, since 2018, Inditex has been one of a group of companies collaborating with the European Network Against Racism (ENAR), an umbrella organisation based in Brussels comprising a network of 150 members in the 27 countries of the European Union working to combat all forms of discrimination and racism.

3.2.8 Work-life balance

At Inditex, we promote **measures to facilitate a work-life balance**, placing special emphasis on **co-responsibility**. The equality plans negotiated within the Group serve as instruments that outline measures to facilitate the achievement of the following objective: to view co-responsibility as both a right and a duty.

In 2020, as in previous years, 100% of our employees in Spain were entitled to parental leave (29,768 women and 10,511 men). More than 2,200 people (2,353 in 2019) took maternity and paternity leave (1,726 women and 478 men); 1,902 women and 451 men in 2019), with almost all of them returning to work: 2,195 people (1,721 women and 474 men; 2,319 people, 1,892 women and 427 men respectively in 2019). Therefore, the return to work rate stands at 99.6% (99.7% for women and 99.2% for men); 98.6% overall, 99.5% for women and 94.7% for men, respectively, in 2019). The number of

people still working at the Group 12 months after returning from maternity/paternity leave is 2,287 - 1,842 women and 445 men - (2,034 people - 1,640 women and 394 men - in 2019), with an overall retention rate of 97.2% (96.8% for women and 98.7% for men; 93.9% overall - 93.2% for women and 97.0% for men - respectively in 2019). In addition, 18% of employees in Spain benefit from reduced working hours due to childcare (16% of employees in 2019 and 2018).

In addition to the concept of co-responsibility, the equality plans include additional measures to facilitate work-life balance, such as the option to split leave in the event of the hospitalisation or illness of a family member (up to second-degree relatives).

In the **international sphere**, the Inditex Group strives to **strengthen the rights protected by each country's local legislation** through conciliatory policies. Depending on their specific characteristics, different markets adopt measures related to quality of life, talent development, enhancing creativity and engagement, and the professional motivation of employees.

In the context of COVID-19, getting back to work was gradual and with a focus on work-life balance. Both in markets where legal tools to protect employment existed and in those where they did not, specific measures were approved to combine the protection of the most vulnerable groups with the needs for work-life balance and each subsidiary's requirements.

Work disconnection policies

Following the approval of Organic Law 3/2018, of 5 December, on the Protection of Personal Data and Guarantee of Digital Rights, Inditex is committed to **promoting an internal policy that guarantees the right for employees to disconnect from digital devices**. In addition to the commitment made at the corporate level, social negotiation has also given rise to the adoption of other related measures, as outlined in the latest Equality Plans of the brands (the 2nd Equality Plan of Zara, Massimo Dutti, Bershka, Stradivarius, Oysho, and Pull&Bear).

These policies are also being promoted in countries such as France, a pioneer in this area, where digital disconnection is advocated to improve work-life balance. Therefore, employees are encouraged to adopt habits such as taking breaks between working days and during the holiday period and interacting directly with colleagues as fundamental Inditex corporate values.

3.3 TALENT MANAGEMENT

Related issues: Talent management



Talent is the core value that enables Inditex to transfer its passion for responsible fashion to its customers. We are an organisation of people whose creative talent is channelled to serve our customers through our entrepreneurial, fearless and non-conformist spirit that places **collective effort and solidarity** above any form of individuality.

In terms of talent management, our mission revolves around four main objectives:

- (i) To **attract the best talent** to work with us, from our stores and logistics centres to our creative, product, technological, and digital teams.
- (ii) To provide **professional development and growth opportunities** through internal promotion and mobility.
- (iii) To foster lifelong **learning** and support for our teams in new emerging roles while also transforming what we already do, primarily through **training**, awareness-raising, and communication initiatives.
- (iv) To provide a safe, rewarding and motivating work environment with attractive conditions that help us **retain talent, connect with our staff, and boost their engagement**.

These objectives place people, including candidates and employees, at the centre of what we do.

3.3.1 Talent attraction

In 2020, we reinforced our value proposition as an employer and fostered communication with our candidates and potential candidates. **More than 1.5 million people follow our employer brand, *Inditex Careers*, on their social media profiles:** LinkedIn, Instagram, Facebook, Twitter, and WeChat and Weibo (especially in the Chinese market).

In addition, *Inditex Careers*, our employment portal, has become our main source of recruitment. In 2020, it received over 9.4 million visits from 200 markets (6.8 million visits from more than 190 markets in 2019). In January 2020, our employment portal obtained the WCAG International Web Accessibility Certification with an AA level of conformance.

Meanwhile, we completed the **digitalisation of our store recruitment processes**, from the identification of recruitment needs by our talent teams to the remote signature of employment contracts by our new recruits.

Job interviews have also become a simpler online experience for our candidates and a streamlined and efficient process for our teams. Through *webinars* and *team plays*, we provide a more flexible and sustainable process, which significantly reduces the use of paper and travel. In this regard, thanks to

the *webinars* that we operate in 12 markets, we have reinvented how we interact with candidates through virtual sessions in which we share our value proposition as employers: Inditex is more than a job, a position, a role, or a brand. We want our candidates to get to know us through the real experiences of our employees.

One of our goals is to reach out to the best talent. In recent years, we have cultivated a fluid relationship with national and international universities in creative, management and technology fields. **In 2020, in light of the current health situation, we wanted to offer more support than ever to schools and universities.** The Stay In Contact programme has enabled us to reach out to this talent through talks on fashion, sustainability and technology given by our employees, attended by some 1,200 students. We have also engaged in the education of young people as members of the examination panel for more than 100 final degree projects at design colleges.

For the sixth year running, *Universum* ranks Inditex among the three best companies to work for in Spain in its Business and Commerce category, based on surveys carried out with university students.

3.3.2 Talent management

Our growth and evolution go hand in hand with that of our employees. For this reason, at Inditex, we remain committed to providing our staff with opportunities for professional development, internal promotion, and mobility.

In 2020, a year shaped by the pandemic, we focused even more on providing professional development opportunities for our in-house talent. In addition, **many store employees have made themselves available to provide support in other departments**, such as online, logistics and central services teams.

In 2020, **46% of the Group's job vacancies were filled internally.** In total, almost **2,000 people were promoted** during the year, with a similar internal promotion rate for men and women (48% for women and 40% for men). There have been almost 400 promotions in our corporate teams and more than 500 changes in job position, department, brand, or market. All this reinforces our commitment to generating professional development opportunities for our staff through internal promotion and mobility.

InTalent, our talent management platform for employees, plays a crucial role in facilitating the internal promotion of our store staff to positions at the headquarters of all our retail brands. More than 57,000 employees are registered with *InTalent* in 51 markets around the world, enabling them to discover professional development opportunities within the company while also helping our talent teams identify people eager to grow professionally.

In 2020, **we increased the number of internal promotions from stores and subsidiaries to our head offices in Spain to fill vacancies.** We distributed internal talent throughout all our brands to fill positions in strategic areas such as sustainability, online sales, design, purchasing, and distribution. A total of 332 employees moved into new positions over the year thanks to the coordinated effort of all our Human Resources teams.

Another initiative launched in 2020 to promote our internal talent was **Zara Camp**, a programme that aims to identify people with motivation and potential in our stores and help them grow by providing the skills and knowledge they need to hold different company positions.

For this purpose, we have created a digital platform with three training courses (creative, business and technology) offering tutorials, *webinars*, and a mentoring programme to help our employees develop their skills and prepare for new responsibilities. As a result, some of our employees have progressed from shop assistants to stylists for the online store, from shop assistants to trend researchers at Zara Woman, or from warehouse managers to *product owners* on our technology teams.

Zara Camp was launched at the end of 2020 in 19 European markets. More than 800 people have participated in the selection processes, and some thirty positions have been filled in the areas of Zara Product, Technology, and Central Services.

3.3.3 Training

Inditex's corporate culture is eminently practical, with a fundamentally *on-the-job* approach to training. Therefore, Inditex's policy is strongly based on a model of internal training. Inditex identifies and maintains a network of in-house trainers responsible for sharing the company's culture and practices to guarantee the success of new employees. Training provides another key pathway for the professional growth of our staff.

Training and development in digital environments are becoming a fundamental part of people management strategies, where lifelong learning in the context of continuous change and digitalisation is paramount, especially in the new post-COVID-19 landscape.

For store staff, training focuses on three areas of content: product knowledge, store processes, and customer orientation. It also includes more general content such as occupational health and safety, sustainability, diversity and inclusion, ethics, and corporate culture.

As for team managers, Inditex focuses the training both on technical aspects of their role and people management.

The Group has been running an e-learning platform called ON Academy since 2017, aimed at employees of all its brands. By the end of 2020, our *online* training platform was operational in 46 markets (27 markets in 2019 and 11 in 2018), reaching an average of 138,000 employees (145,000 employees in 2019 and 105,000 employees in 2018).

From 1 February 2020 to 31 January 2021, more than 1,000,000 hours of training were delivered to just over 370,000 participants (over 3 million hours and 360,000 participants in 2019, and over 2,700,000 hours and 146,000 participants in 2018, respectively). The drop in 2020 is due to a decrease in *on-the-job* training during the periods when our stores were closed and fewer induction training sessions due to a reduction in external hiring. The percentage of virtual training has increased by 50% in participants and 67% in hours compared to 2019.

Job classification	2020				2019				2018			
	Training hours	Participants	Average staff	Training hours per employee	Training hours	Participants	Average staff	Training hours per employee	Training hours	Participants	Average staff	Training hours per employee
Manager	126,121	46,054	12,591	10.0	170,913	26,647	10,473	16.3	98,282	9,044	7,601	12.9
Supervisor	126,282	49,892	16,480	7.7	260,524	39,447	19,779	13.2	253,276	19,124	20,350	12.4
Specialist	748,448	275,659	115,045	6.5	2,657,853	295,156	146,359	18.2	2,400,265	118,278	146,435	16.4
TOTAL	1,000,851	371,605	144,116	6.9	3,089,290	361,250	176,611	17.5	2,751,823	146,446	174,386	15.8

Gender	2020				2019			
	Training hours	Participants	Average staff	Training hours per employee	Training hours	Participants	Average staff	Training hours per employee
Male	259,185	89,809	34,793	7.4	717,280	82,930	43,146	16.6
Female	741,666	281,796	109,323	6.8	2,372,010	278,320	133,465	17.8
TOTAL	1,000,851	371,605	144,116	6.9	3,089,290	361,250	176,611	17.5

Content	2020		2019	
	Training hours	Participants	Training hours	Participants
Corporate ("How we are")	252,570	168,746	1,358,388	131,289
Customer	35,241	25,420	106,818	102,982
Fashion and Product	124,328	88,236		
Languages	52,617	2,433	52,033	2,536
Processes, Techniques and Tools	488,963	55,992	475,668	60,701
Skills and Others	47,132	30,778	1,096,383	63,742
TOTAL	1,000,851	371,605	3,089,290	361,250

Geographical Area	2020		2019	
	Training hours	Participants	Training hours	Participants
Spain	218,789	113,150	351,421	117,637
Europe (excl. Spain)	565,654	156,289	2,085,281	163,656
Americas	61,725	60,877	45,684	48,929
Asia and Rest of the World	154,683	41,289	606,904	31,028
TOTAL	1,000,851	371,605	3,089,290	361,250

Highlights of Inditex's training initiatives in 2020 are:

- **Diversity & Inclusion:** In addition to the awareness-raising actions presented in the section on Diversity, Inclusion, Equality and Work-Life Balance³⁴, several training programmes were carried out in 2020, involving more than 6,200 people:
 - *The Right leader @ Inditex is inclusive.* This interactive workshop aims to help our management teams create more inclusive working environments with a strategic approach to diversity management. Delivered face-to-face (limited this year due to the COVID-19 restrictions), some 130 managers in Europe and the United States participated in the training sessions in 2020 (over 330 managers in 17 markets in 2019).

³⁴ More information in section 3.2 "Diversity, inclusion, equality and work-life balance" of this Statement of Non-Financial Information.

- *Promoting LGBT+ inclusion in the workplace.* This course aims to promote the inclusion of LGBT+ people in the workplace. Delivered virtually through e-learning, the first phase of the course was attended by almost 400 people from the United States.
 - With the aim of fostering more respectful and inclusive environments, we conduct training programmes every year to raise awareness and train our staff on the prevention of harassment and discrimination. For example, the US subsidiary runs its *"Preventing Harassment & Discrimination For Supervisors"* programme every year, which is mandatory for all managers and the corporate team. In addition, all other employees attend an annual 60-minute online training course on this subject. In total, more than 3,500 employees in the United States completed harassment and discrimination prevention courses in 2020. Another example is our Brazilian subsidiary, where bullying prevention training was provided to 264 managers and the corporate team, and awareness-raising activities were carried out in our stores between September and November 2020.
 - Several *masterclasses* and talks were held over the year, including *Change The Rules, Change the World* (to combat racism and microaggressions), *Honouring Juneteenth* (to commemorate the end of slavery in the United States), *From Diversity to Inclusion* (to explain the importance of diversity and inclusion at Inditex), and *Hacking Bias* (developed for the technology team at our Central Services under the framework of the *Women in Tech* project). In total, around 225 people in the United States, 300 people in Europe, and approximately 450 people in Spain have participated in these talks.
- **Sustainability**
Sustainability is a key element of our business model. For this reason, we train our people in this area so that they have the necessary knowledge and skills to make sustainability an integral part of their daily activities. It is important to highlight the training that our purchasing and design teams receive, as their decisions and actions have a significant impact on the sustainability of our products and supply chain. In this regard, in line with our commitment to the *Global Fashion Agenda*, in 2020, we provided training on the Principles of the Circular Economy, reaching 100% of our designers and fulfilling our commitment³⁵.
 - **Languages: Busuu** is an application for mobile devices that helps you learn up to 12 languages. Available in several markets since 2017, this year, it was expanded to 60 markets worldwide (59 markets in 2019). Some 50,000 people signed up to improve their language skills in the latest round of courses (over 52,000 in 2019), with English and Spanish as the most popular languages. More than 6,200 employees obtained at least one official certificate (4,900 in 2019), and in total, our staff spent over 126,000 hours improving their language skills through Busuu in 2020.
 - **Product:** through *eFASHION*, the integrated management training programme for the fashion business, designed in collaboration with IED Madrid (*Istituto Europeo di Design*), more than 1,400 people have received training in this topic since its launch in 2012. The programme has been active in Spain, France, Italy, and Portugal, and, in 2020, several Asian markets joined the initiative (Mainland China, Hong Kong SAR, Macao SAR, Taiwan, China, Japan, South Korea, and India).
 - **Store employees with potential: LEAP&Co** is a talent management and on-the-job training application for store teams. In 2020, its implementation was accelerated due to the current environment and increasing demand for digitalisation, and it has been made available on different devices.

³⁵ More information in section 3.7. "Circularity" of this Statement on Non-Financial Information.

The app enables store managers and area teams to manage development plans, organise their network of specialist trainers by area, and monitor new recruits. It also clearly defines potential career pathways for in-store positions and optimises each stage of the internal promotion process.

In 2020, Zara implemented LEAP&Co in all its stores in 25 markets and partially in 8 markets (one market with full implementation and 14 with partial implementation in 2019). It is also being piloted in Spain in Pull&Bear, Stradivarius, and Zara Home.

A total of 1,800 employees have taken individual training programmes to access open positions (450 people in 2019). Over 19,000 people have participated in the programme (more than 1,800 in 2019), and more than 121,000 hours of training have been delivered.

- Positions of responsibility in our stores: **Zara Campus** is an initiative created to respond to the need for training and development for employees in positions of responsibility at our stores. Campus stores are used as a practical setting for the training programme, which covers three areas: management, sales and operations. The programme is geared towards new promotions and refresher courses. The Zara Campus experience is structured in 3 phases: Pre-Campus, One to One (practical training adapted to each person), and the completion of a Final Campus Project (TFC). Zara Campus started in Spain and Greece before later being expanded to Turkey, Portugal and Poland. Since the launch of Zara Campus, over 1,600 people have been trained, and a total of 182 TFCs have been submitted.
- During the lockdown, we provided virtual training programmes in several markets with a view to supporting our employees and enhancing their development:
 - **#neverstoplearning**: In Spain, during the weeks of lockdown, we designed and delivered special daily online training plans for any store staff who were at home, offering content on languages, fashion, and trends, in addition to personal well-being topics, yoga sessions, and health tips through our InHealth platform. More than 2,000 people logged on to the programme every day, equating to approximately 70,000 hours of training.
 - **Masterclasses**: Aimed at structural and area teams from various markets, virtual classes were organised with specialists from different areas of the company. The sessions, attended by more than 3,800 participants and involving over 5,000 hours, covered a range of topics, including architecture, diversity and inclusion, trends and purchasing processes.

3.3.4 Connecting with our staff and employee engagement

The fourth pillar of our talent management strategy is to provide a rewarding and motivating work environment with attractive conditions that help us **retain talent, connect with our staff, and boost employee engagement**.

INet, the Group's intranet, is essential to how we connect with our staff. INet is operational in all our markets and can be accessed by employees through our *app* or online platform. With more than 19 million visits in 2020, it is our main channel for internal communication. Thanks to INet, we digitise communication (a crucial component due to our geographical distribution and heterogeneity of work profiles), constantly incorporate new developments, and stay connected.

In 2020, we also created *InStories*, our internal social network. Operating in seven markets (Italy, Portugal, Greece, Turkey, Poland, South Korea, and Japan) with over 18,000 users, it helps us to build a community and connect employees while providing a communication channel to deliver messages and share our values.

Engaging with our teams has been instrumental this year, particularly during the most challenging moments of the lockdown. We have tried to manage the emotional impact of the pandemic on our staff by launching initiatives in different markets focused on mental health or setting up psychological helplines. Thanks to INet and other channels, we stayed in constant contact with our staff to keep them up to date and to ensure them that Inditex was by their side during these unprecedented times, from the lockdown to the gradual easing of restrictions and return to work.

At our headquarters, we launched our **#weareconnected** programme with more than 20 online experiences to keep our staff active and connected. **The programme design was based on inspiration, sustainability and well-being**, featuring nutrition workshops, family activities, online exercise sessions run by our corporate gym instructors, inspirational talks, and a health channel detailing all the information and internal measures that we implemented.

Finally, we have continued to promote **social engagement initiatives with our communities** and the active participation of our employees in two main areas: supporting employment for groups with special needs or in situations of vulnerability (through the Salta Programme) and implementing social projects led by employees (such as the Teaming initiative).

Our job placement programme for people in situations of vulnerability, Salta, has recruited **1,395 people in our teams in over 13 countries** since its first edition in 2008, proving to be a sustainable and flexible model amid the COVID-19 pandemic.

In 2020, a total of 23 people joined our stores in the UK, France, and the United States. In addition, 45 employees have participated in the Salta programme as volunteer organisers, trainers and tutors.

Furthermore, due to the current pandemic, **special online editions of Salta have been produced for 139 people from various NGOs in Spain, Mexico, Italy, Poland, Portugal, Turkey, and Germany**. In these subsidiaries, around 100 people from our teams (HR, sales and store managers) delivered different training modules on self-esteem/personal branding, CV preparation, active job searching on social media, styling, and job interview simulations.

The new format was also bolstered with a **mentoring programme** that assigned an Inditex employee to each participant to review the contents of the training sessions.

Moreover, *Teaming* is an initiative that lets employees donate a fixed amount of their monthly salary to one of three social project proposals, which is then doubled by Inditex. A total of 31,402 people from 17 markets participated in the second edition between 1 July 2019 and 30 June 2020.

The second edition raised a total of €634,480, which was distributed among the projects supported by the participants:

1. **Safe Maternity** supported by *Every Mother Counts* in India. The main objective of this initiative is to improve the lives of thousands of women and children by improving their access to health services, food and nutrition, clean water, and sanitation in New Delhi and Assam.
2. **Access to Water**, a *Water.org* project in Brazil. This project supports local entities that, through microfinancing, help people to build water wells and facilitate access to sanitation.

3. **Support for Refugees** promoted by Doctors Without Borders (MSF) in Greece. This initiative focuses on providing basic aid packages to refugee migrants arriving on the island of Lesbos.

3.4 REMUNERATION POLICY

Related issues: Quality of employment



Our approach to remuneration seeks to adapt at all times to each of the 60 markets and work environments in which we operate, under the framework of the Group's corporate culture and values and in line with the specific identity of each of the commercial brands.

For this reason, **we strive to adapt the remuneration standards to the specific circumstances of each market**, aligning remuneration with the salary benchmarks for each market in the local currency. Therefore, we refer to different salary benchmarks for each market.

Inditex's remuneration policy ensures non-discrimination for reasons of sex, age, culture, religion and race, or any other circumstance. Accordingly, Inditex employees are remunerated based on their professional merit, experience, dedication, and responsibilities. Remuneration at Inditex comprises a fixed and variable component.

In particular, fixed remuneration is established based on experience, personal contribution to the job position, and consistency with responsibility within the organisation and the market. On the other hand, **variable remuneration is based entirely on predefined, quantifiable and measurable indicators**, all of which are linked to the company's financial results. In this regard, the payment of variable remuneration does not depend on a discretionary assessment of the individual's performance but exclusively on objective parameters, which guarantees non-discrimination.

Variable remuneration is one of the core elements of Inditex's compensation policy and applies to employees in all areas of the Group's activity.

In the stores the most distinctive component of our variable remuneration system is the monthly commission scheme, which rewards our employees for participating in key areas, such as sales results, product feedback, and store coordination and organisation. Decision-making and initiative are fostered at all levels and rewarded in proportion to the level of responsibility.

In addition, in keeping with our values of transparency, results-based approach and simplicity, we align the Group's sustainability targets with those of our office employees in terms of remuneration. Therefore, **meeting sustainability targets forms part of the variable remuneration of our office staff**. This approach reinforces our commitment to our staff in this area, as well as the fact that our variables are linked entirely to business results.

3.4.1 Pay gap

The pay gap is the main indicator in methodological terms for analysing wage differences between women and men. It is calculated based on the median salary in each market (whereby the total wage: fixed + variable remuneration, including commissions and bonus) and the weighting of each area of the

Group's activity (stores, central services, logistics, and factories). This average is then weighted for each market out of the total number of Inditex employees. This gives us a reliable global indicator for the pay gap between men and women in the Group.

The analysis carried out in the 2020 financial year demonstrated that there is wage parity between men and women at Inditex. In terms of total salary, men are paid 0.4% more than women, which is a slight change from previous years (women were paid 0.2% more than men in 2019 and 0.8% more in 2018), which can be explained by movements in the workforce during the year.

Pay gap	Gap - Total wages		
	2020	2019	2018
TOTAL	-0.4%	0.2%	0.8%

The pay gap by geographical area is detailed below:

Geographical area	Gap - Total wages		
	2020	2019	2018
Spain	-0.8%	0.5%	1.0%
Europe (excl. Spain)	-0.7%	-0.6%	0.2%
Americas	2.6%	3.6%	0.3%
Asia and rest of the world	-1.1%	-0.1%	0.0%
TOTAL	-0.4%	0.2%	0.8%

3.4.2 Global average remuneration

The global average remuneration is defined as the mean of the salaries of the entire Group (whereby the total salary: fixed plus variable remuneration, including commissions and bonus) converted into euros using the average exchange rate in 2020. Based on this calculation, the global average remuneration of Inditex amounted to 23,959 euros per year (gross) in 2020 (22,073 and 20,996 euros in 2019 and 2018, respectively).

To put this figure into context, it should be noted that Inditex's employees in Spain (our domestic market) only make up 28% of our total workforce and that a significant part of the remaining 72% of the workforce is located in markets where the salaries, when converted into euros, result into lower average salaries (28% and 72% of the workforce in 2019 and 2018, respectively).

In terms of gender, the average remuneration stood at 22,749 euros per year (gross) for women and 27,657 euros per year (gross) for men (21,142 euros in 2019 and 19,935 euros in 2018 for women; 24,897 euros in 2019 and 23,556 euros in 2018 for men). It should be noted that these two figures are not indicative of pay equity: in this case, the pay gap between men and women can be explained by the higher proportion of women in a significant number of markets where the conversion of the local currency results in a lower figure in euros.

In terms of equal pay, the pay gap is the indicator that provides transparency on the wages earned by men and women. In fact, the pay gap is calculated for each market (based on the weighting of each market) and, therefore, is not affected by the impact of local currencies, exchange rate variations, or geographical distribution.

Based on the specific circumstances of the Group, the average remuneration by age group and professional category is shown below:

Age	Total wages in euros		
	2020	2019	2018
Under 30 years old	16,598	16,444	15,350
Between 30 and 40 years old	28,214	27,433	26,320
Over 40 years old	43,648	42,297	41,062

Job classification	Total wages in euros		
	2020	2019	2018
Manager	50,050	51,327	47,804
Supervisor	32,859	31,002	27,963
Specialist	20,751	19,260	18,480

3.4.3 Remuneration of directors and senior management

The remuneration of Directors and Senior Management is included in aggregate figures in Note 29 of the Consolidated Annual Accounts, and in individual figures and by remuneration item in sections C.1.a.i) and C.1.c) of the Annual Report on Remuneration of Directors for 2020 approved by the Board of Directors on 9 March 2021.

With regard to Senior Management, the average total remuneration in 2020 amounted to 1,323,636 euros (1,434,163 and 1,944,018 euros in 2019 and 2018, respectively). The average remuneration of female senior managers was 993,144 euros and that of male senior managers was 1,426,915 euros (1,033,309 and 1,555,634 euros in 2019 and 1,725,866 and 2,008,180 euros in 2018, respectively). Information on the Senior Management's aggregate remuneration is also included in section C.1.13. of the Annual Corporate Governance Report of 2020, approved by the Board of Directors in the meeting held on 9 March 2021.

3.5 TAX CONTRIBUTION AND TAX TRANSPARENCY



Related issues: Value creation

Inditex complies with the tax obligations of the markets in which it operates, in accordance with the principles set forth in the Tax Strategy and Policy approved by the Board of Directors at its meeting held on 9 December 2015. The Inditex Group's tax principles translate into an irrevocable commitment to sustainability and corporate social responsibility, which is reflected in its contribution to the social and economic development of the different markets in which it operates. In this regard, the payment of taxes is a crucial element of the Group's contribution to helping the communities in which it operates to provide valuable public services and build infrastructure that facilitates economic growth.

The Group complies with all tax obligations resulting from its business activity and applies the international standard of the arm's length principle in its tax practices in accordance with EU and international legislation (Treaties and Conventions, OECD Guidelines, etc.) and the applicable tax legislation of the markets in which it operates and preferably, with the interpretation criteria set by authorities and law courts in such markets.

The Inditex Group is a vertically integrated organisation involved in all stages of the textile industry value chain (design, manufacturing, sourcing, distribution, and sales). The fact that these activities take place in different geographical locations means that the proportion of the revenue generated in the value chain attributable to each territory has to be determined. This profit attribution is carried out on an arm's length basis, in accordance with local laws and the OECD Transfer Pricing Guidelines.

The following is a breakdown of the profit before tax by market for 2020 (in millions of euros):

Markets	2020	2019	2018
America	-129	359	294
Brazil	-30	63	74
Canada	-9	27	17
United States	-48	84	50
Mexico	-43	146	116
Other	1	39	37
Asia and ROW	60	657	561
Australia	-2	13	11
China	1	375	364
South Korea	6	57	24
Japan	17	83	56
Kazakhstan	14	22	15
Other	24	107	91
Spain	640	1,805	1,650
Spain	640	1,805	1,650
Europe	388	1,720	1,417
Germany	1	51	14
Belgium	-2	26	83
France	28	101	139
Greece	15	41	31
Netherlands	9	328	274
Hungary	-2	11	12
Italy	-48	93	83
Poland	3	44	38
Portugal	-1	77	63
Romania	31	67	67
Russia	86	229	154
Switzerland	145	307	257
Ukraine	39	54	28
Other	84	291	174
Profit before tax	959	4,541	3,922
Consolidation	442	140	506
Profit before taxes Consolidation	1,401	4,681	4,428

* Profit before tax: profit before tax results from the application of the International Financial Reporting Standards (IFRS), including the application of the accounting standard for leases IFRS16 and excludes the result of the distribution of dividends from other subsidiaries of the Group, capital gains from the sale of intra-group holdings, as well as provisions for portfolio impairments in Group subsidiaries. The profit before tax is conditioned by the "headquarters effect" and compliance with international regulations on transfer pricing (OECD Guidelines) whereby the result derived from design, supply, logistics and distribution functions is allocated to certain markets and, therefore, do not represent the Group's profitability in each market.

Similarly, the Group undertakes not to use opaque structures for tax purposes or special purpose vehicles located in territories classified as tax havens or non-cooperative by the Spanish tax authorities. In this regard, the formation of companies in territories classified as tax havens under Spanish law will be limited to those cases in which it is essential for the development of the Group's business activities, such as the companies that operate the stores located in Macao SAR and Monaco.

To achieve these objectives, the Group maintains relations with the tax authorities of the territories in which it operates, based on principles of good faith, cooperation and mutual trust, seeking to prevent tax disputes.

In view of the above, the Inditex Group is a member of the Forum of Large Companies of Spain, whose main objective is to promote greater collaboration between large companies and the State Tax Administration Agency. Furthermore, Inditex adheres to the Code of Good Tax Practices promoted within the Forum and follows its recommendations and subsequent amendments.

In financial year 2020, the Group's activity in the markets in which it operates materialized in the payment the following income tax (in millions of euros):

Markets	2020	2019	2018
America	38	120	93
Brazil	-	14	18
Canada	6	6	5
United States	6	41	20
Mexico	15	42	38
Other	11	17	12
Asia and ROW	62	123	119
Australia	4	4	3
China	20	56	71
South Korea	7	14	6
Japan	19	28	21
Kazakhstan	5	5	4
Other	7	16	14
Spain	103	372	360
Spain	103	372	360
Europe	222	392	383
Germany	-6	12	5
Belgium	-1	6	24
France	15	30	52
Greece	1	10	12
Netherlands	84	127	101
Hungary	1	1	1
Italy	6	21	25
Poland	18	14	12
Portugal	5	16	14
Romania	1	9	10
Russia	18	41	34
Switzerland	48	58	60
Ukraine	7	10	5

Other	25	37	28
	425	1,007	955
Consolidation	42	116	110
Income Tax	467	1,123	1,065

**Income Tax: payments made during the year 2020 in the different markets for Income Tax and other similar figures (withholding tax and other tax burdens arising from compliance with the applicable regulations on Income Tax). It includes withholdings and installment payments entered on account of the Income Tax for the current year, as well as payments of the differential fee corresponding to the Income Tax of the previous year.*

The total tax contribution paid amounted to 4,689 million euros, of which 1,916 million euros correspond to direct taxes, including corporate income tax, customs duties, real estate tax, and social security contributions payable by the Company; and 2,773 million euros to collected taxes, including withholding taxes on employee and shareholder income tax and employee social security and excise taxes, according to the PwC *Total Tax Contribution* framework.

The following is a breakdown of direct taxes paid in 2020 (in millions of euros):

Markets	2020	2019	2018
America	357	623	489
Brazil	53	108	100
Canada	41	53	43
United States	129	213	151
Mexico	101	194	136
Other	33	55	59
Asia and ROW	248	345	359
Australia	11	12	10
China	79	138	173
South Korea	31	32	27
Japan	59	66	64
Kazakhstan	12	14	14
Other	56	83	71
Spain	620	1,049	928
Spain	620	1,049	928
Europe	691	1,023	988
Germany	18	32	33
Belgium	7	18	35
France	117	190	229
Greece	12	31	23
Netherlands	117	166	108
Hungary	4	4	4
Italy	44	75	82
Poland	24	22	11
Portugal	20	29	46
Romania	2	10	13
Russia	79	109	96
Switzerland	66	94	70
Ukraine	16	18	16
Other	165	225	222
Direct taxes	1,916	3,040	2,764

Likewise, here is a breakdown of collected taxes in 2020 (in millions of euros):

Markets	2020	2019	2018
America	177	320	271
Brazil	34	84	79
Canada	23	35	33
United States	88	129	107
Mexico	22	52	35
Other	10	20	17
Asia and ROW	144	189	187
Australia	17	25	21
China	59	96	109
South Korea	10	12	12
Japan	40	34	28
Kazakhstan	3	4	3
Other	15	18	14
Spain	581	825	764
Spain	581	825	764
Europe	1,871	2,375	2,180
Germany	189	228	201
Belgium	107	99	97
France	300	347	324
Greece	80	135	124
Netherlands	97	85	86
Hungary	23	35	31
Italy	246	384	356
Poland	82	111	98
Portugal	151	203	191
Romania	56	78	73
Russia	174	191	164
Switzerland	15	17	15
Ukraine	12	15	9
Other	339	447	411
Collected taxes	2,773	3,709	3,402

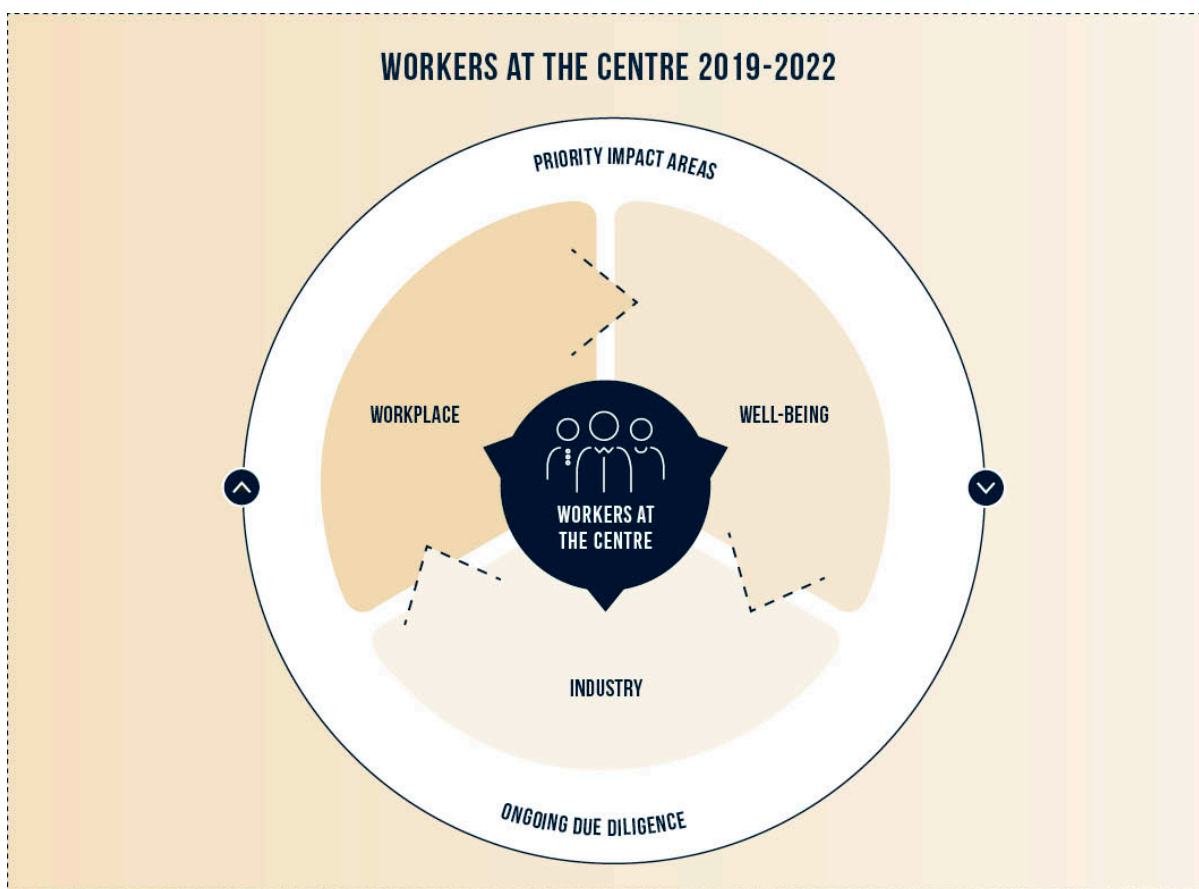
In financial year 2020, Inditex has received 8 million euros in public subsidies (0.4 million euros in 2019).

3.6 CONTRIBUTION TO THE SOCIO-ECONOMIC DEVELOPMENT OF WORKERS AND THE INDUSTRY

Related material topics: Human Rights, Socially sustainable production environments, Diversity, equality and inclusion, Responsible purchasing practices, Stakeholder engagement

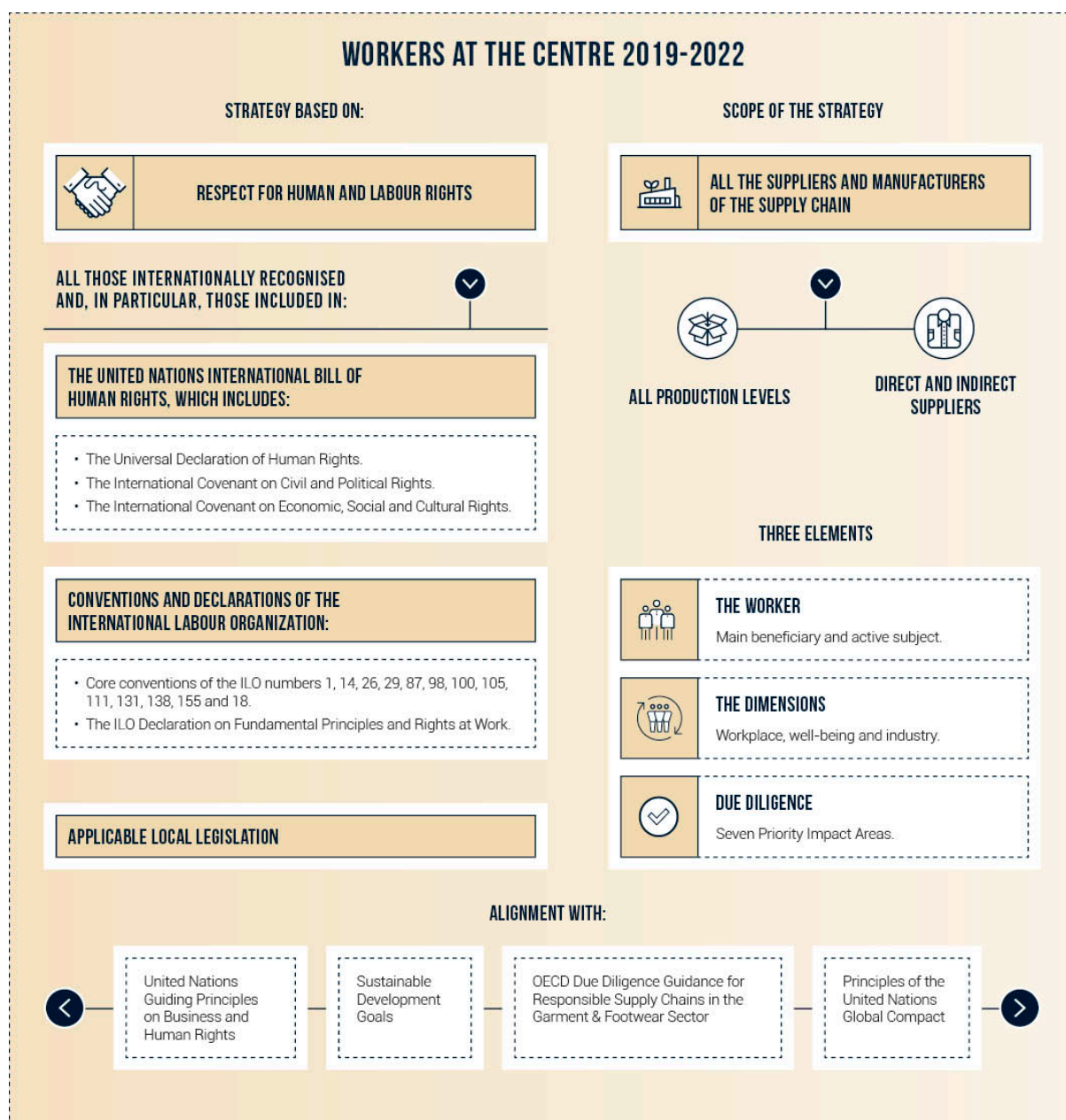


3.6.1 Workers at the Centre 2019-2022



At Inditex, we want to make a positive contribution to the socio-economic development of workers in our supply chain, keeping focused on the **promotion of their Human and labour rights** and with the aim of ensuring their well-being. To do so, we have a **social sustainability strategy: “Workers at the Centre 2019-2022”**, which is based on the socially responsible management of the supply chain and respect for Human and labour rights, and it is an essential part of our sustainable model.

Its main premise is to understand and respond to the needs of supply chain workers, their families, and the communities in which they live. Through this strategy, we seek **to foster decent work, sustainable production environments and the socio-economic development of the sector, while driving the well-being and empowerment of workers to achieve lasting and sustainable changes in the industry.** The guiding international frameworks regarding human and labour rights have been considered when defining the strategy.



The “Workers at the Centre 2019-2022” strategy is based on three core elements. The first element is the worker, who is at the centre of the strategy as its beneficiary and active subject. The worker is the main beneficiary of all the actions that are conducted, ensuring the respect for their Human and labour rights.

The second element is the three dimensions in which it is deployed to make a positive impact at different levels:

1. **Workplace.** Guaranteeing respect for Human Rights in factories in the supply chain through assessments, projects, training and monitoring, in conjunction with the actions undertaken for

the social management of the supply chain and compliance with Inditex's Code of Conduct for Manufacturers and Suppliers.³⁶

2. **Well-being.** Inditex's goal is to have a **positive impact on the lives of workers**, improving both their well-being and that of the communities in which they live.
3. **Industry.** This is a strategic dimension because it is geared towards achieving **more sustainable environments in the long term through sector and global partnerships and commitments** with diverse initiatives and stakeholders, such as NGOs, suppliers, and other brands. Our impact as a company is limited. For this reason, we join forces with stakeholders in the industry.

The third and final element is due diligence, which enables us to identify priority impact areas on which the strategy's actions are focused. At Inditex, we have undertaken a due diligence process – pursuant to the terms of the UN Guiding Principles on Business and Human Rights – on all the possible impacts on Human Rights throughout the Group's supply chain, identifying and prioritising them.

Thanks to this process, which is brought about through heat maps that reflect the most relevant impacts in the field of Human Rights **on our 12 production clusters**³⁷, **we identified the seven priority areas** in which we can make the greatest positive cross-cutting impact on the three abovementioned dimensions.

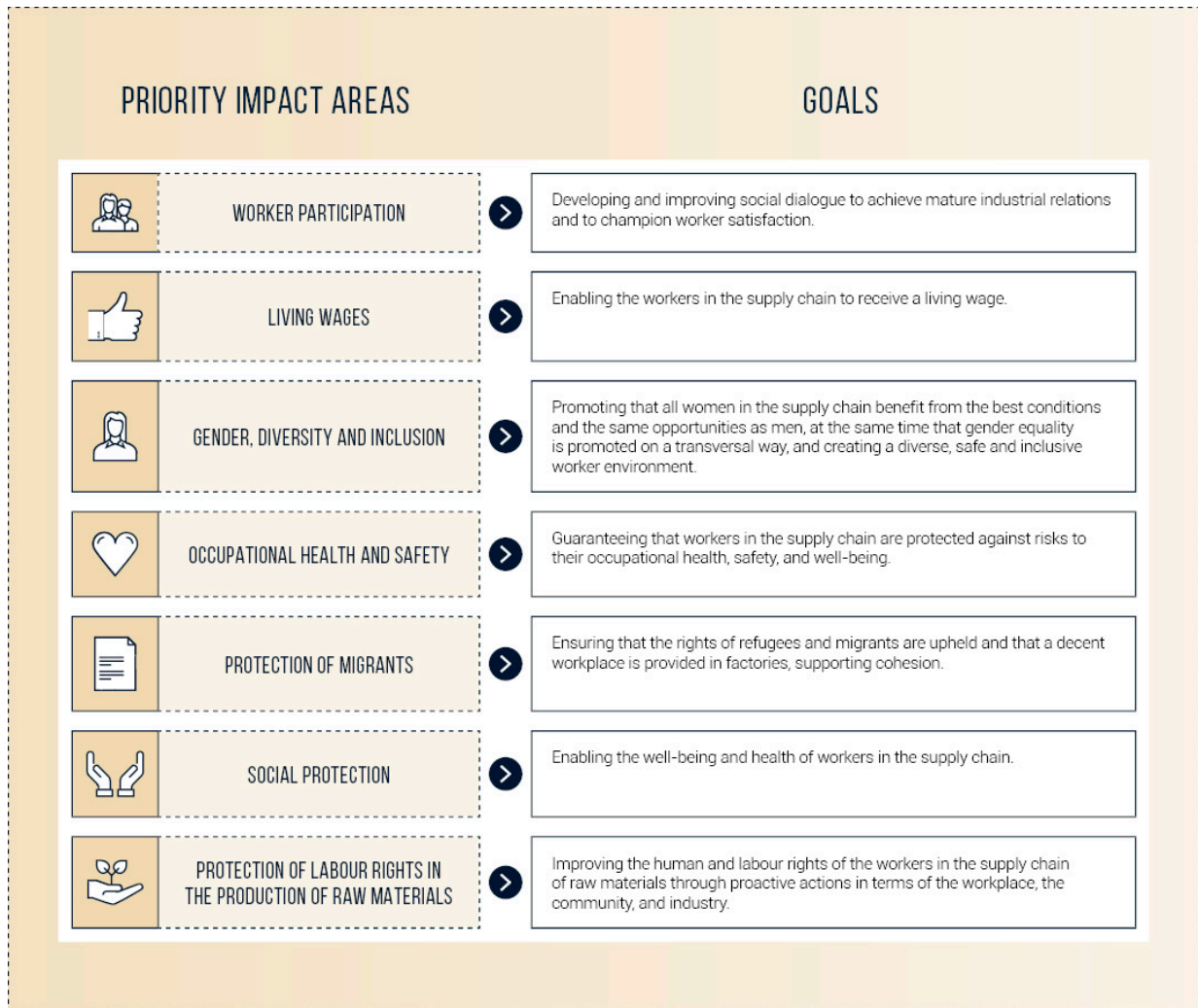
For each of these areas there is an internal group, comprising local experts and specialists from the different clusters' social sustainability teams, in charge of developing a variety of strategies, lines of action and improvement programmes.

Collaboration with stakeholders, in line with the industry dimension, is key to developing the “Workers at the Centre 2019-2022” strategy. At Inditex we consider that in order to develop solutions that improve supply chain practices, that are global and able to benefit the largest possible number of workers and communities, this must be done in a collaborative manner. For this reason, we cooperate and have partnerships with various stakeholders, such as the suppliers themselves, trade unions, NGOs, international organisations, institutional bodies, universities and other brands in the industry. These collaborations are conducted both locally and internationally, notably including those we hold with the International Labour Organization, IndustriALL Global Union, ACT (Action, Collaboration, Transformation), and the UN Global Compact.

³⁶ More information on the application of the Code in section 4.3.2.(a) “*Policies, standards and principles on which our supply chain management is based*” of this Statement on Non-Financial Information.

³⁷Inditex has 12 supplier clusters: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Argentina and Brazil. These clusters are spaces for cooperation and dialogue, the purpose of which is to foster a sustainable production environment in a strategic geographic area and within a framework of compliance with human rights and environmental friendliness.

3.6.2 Priority Impact Areas



a) Worker Participation

ENHANCING SOCIAL DIALOGUE TO ACHIEVE MATURE INDUSTRIAL RELATIONS AND FOSTER WORKERS'S SATISFACTION

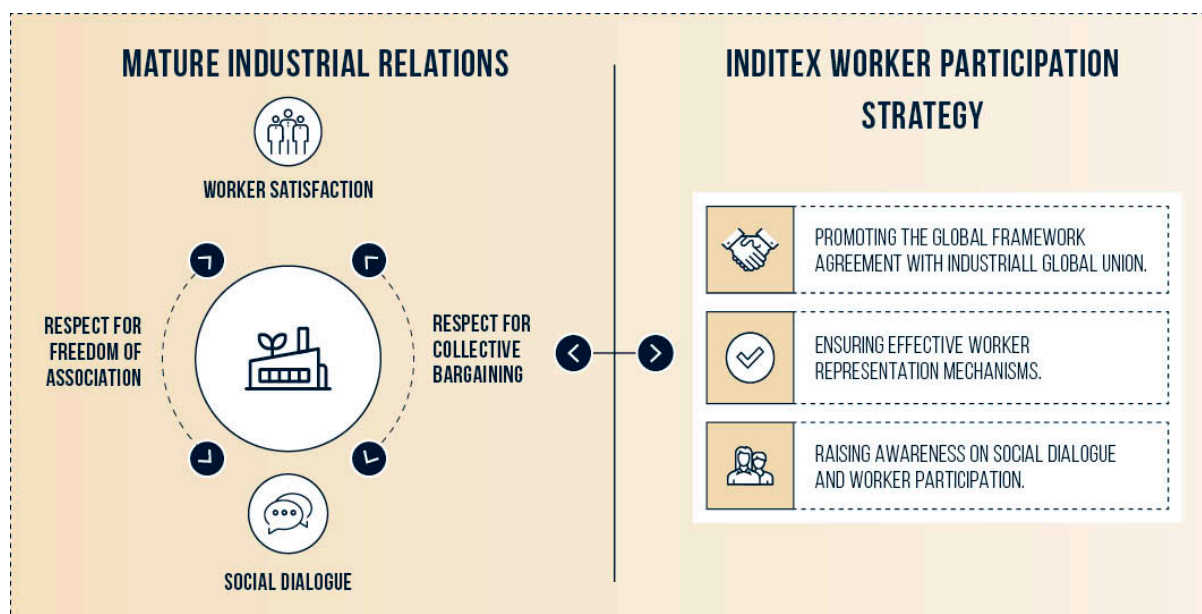
RELATED SDGS	CORE STAKEHOLDER GROUPS
  	IndustriALL Global Union / International Labour Organization / BetterWork / Ethical Trading Initiative / ACT (Action, Collaboration, Transformation) / Smart Myanmar Textile & Garment Projects Sequa gGmbH

At Inditex, we believe that **Human Rights related to collective bargaining and freedom of association are fundamental** for workers in the supply chain to freely negotiate their working conditions and also for them to have suitable mechanisms for the defence of the rest of their rights. This conviction is clearly laid down in our Code of Conduct for Manufacturers and Suppliers.

The empowerment of workers and the fostering of social dialogue are the essential basis for exercising mature industrial relations wholly based on the principles of freedom of association and the right to collective

bargaining. In this respect, at Inditex, we acknowledge the important role played by global and national trade unions in this field, as well as in supervising our supply chain.

Without doubt, one of the most relevant tools we have to foster worker participation, respect for freedom of association and the promotion of collective bargaining in the supply chain is our **Global Framework Agreement with IndustriALL Global Union**. This Agreement, signed by Inditex and IndustriALL Global Union in 2007 – and last renewed and extended in 2019 – is based on collaboration between both entities and enables us to share and develop good practices in this field. In summary, our joint work with IndustriALL encourages a more sustainable supply chain.



The priority lines of action we are working on in the field of worker participation are as follows:

- Promoting the Global Framework Agreement with IndustriALL Global Union.**
We collaborate on the ground with IndustriALL, working together in order to promote freedom of association and collective bargaining. To this end, we share the complete listing of our suppliers and manufacturers with the global union, as well as providing IndustriALL and its local affiliates with access to the facilities of our suppliers and manufacturers.
Cooperation between the two parties was again materialised in 2020 upon formalising the Global Union Committee of the Global Framework Agreement, a new coordinating body where the different IndustriALL Global Union affiliates in our production chain are represented, as well as the Spanish trade unions CC.OO. and UGT. Similarly, we issued a joint statement in August 2020 with the goal of reaffirming our mutual commitment to work collaboratively to support the economic and social recovery of the global clothing industry to combat the crisis arising from COVID-19, together with global and national stakeholders.³⁸
- Guaranteeing effective worker representation mechanisms.**
We foster and participate in a variety of programmes to encourage workers in the supply chain to have effective mechanisms of representation. Our participation in the International Labour Organization Better Work programme is noteworthy.
- Raising awareness on social dialogue and worker participation.**
We deem it necessary for workers and factory management to have the necessary tools and skills to maintain social dialogue that enables them to establish mature industrial relations required for

³⁸ More information in section 2.1.2 (d) Protecting workers in the supply chain of this Statement on Non-Financial Information.

collective bargaining. Accordingly, training sessions and programmes are undertaken to promote social dialogue at the various levels where our strategy is deployed, from the factory to the industry as a whole.

An example of the importance of collaboration between stakeholders in the field of worker participation is the work we do under the aegis of the ACT initiative³⁹. In that regard, **a dispute resolution mechanism pilot was implemented in 2020** among representatives of ACT brand suppliers in Myanmar and IndustriALL's associate in the country, IWFM. This mechanism enables a procedure to be established to resolve any incident in compliance with the guidelines on freedom of association agreed in 2019 between the parties.

b) Living Wages

ENABLING THE WORKERS IN THE INDITEX SUPPLY CHAIN TO RECEIVE A LIVING WAGE	
RELATED SDGS	CORE STAKEHOLDER GROUPS
 	ACT (Action, Collaboration, Transformation) / IndustriALL Global Union / International Labour Organization / Better Than Cash Alliance
 	

The ILO deems that the right to receive a living wage is one of the essential Human Rights to achieve “universal and lasting peace”. In this sense, Inditex is **committed to facilitating that the workers of the factories in our supply chain receive a living wage**, as it is stated in our Code of Conduct for Manufacturers and Suppliers.

In order to reach this goal, which is a common challenge for the whole industry, **collaboration between various stakeholders** such as other brands, suppliers, trade unions, and even governments, is necessary. In that regard, **one of the notable core initiatives we are part of is**

ACT (Action, Collaboration, Transformation), promoted by global textile companies and IndustriALL Global Union to achieve the transformation of the sector and living wages for supply chain workers, through collective bargaining and freedom of association, backed by responsible purchasing practices.

In 2020, our actions in the field of the living wage strategy have become even more relevant because, due to the situation arising from COVID-19, **securing workers' jobs and wages, especially in the sharpest peaks of the pandemic** has been one of our top priorities. In this regard, in order to attempt to ease the consequences of the pandemic, we have worked with organisations such as ACT and IndustriALL.

³⁹ More information in section 4.3.2 (c) Sustainable management of the supply chain of this Statement on Non-Financial Information.



In 2020, we continued to work on this strategy's four main lines of action:

- **Promoting collective bargaining.**

Collective bargaining is a key tool to achieve the improvement of working conditions, which includes the payment of living wages. Agreements between the parties involved through free and informed negotiation are essential in order to achieve real and sustainable progress. Our primary tools in this field are our Global Framework Agreement with IndustriALL Global Union and work in partnership with the ACT Initiative. In particular, progress and work with ACT in countries such as Turkey, Myanmar, Bangladesh and Cambodia have been prioritised throughout 2020.

- **Responsible purchasing practices.**

The working conditions of workers, and in particular their wages, are directly linked to companies' purchasing practices. Therefore, at Inditex, we have a strategy of responsible purchasing practices that includes training our buyers, among other actions.

In this sense, our work within the framework of the ACT initiative to implement common responsible purchasing commitments for the whole industry is also noteworthy.⁴⁰

Also, as an **immediate step to combat the crisis** arising from COVID-19 with a major impact on workers' wages, **we have guaranteed the payment of all orders already placed and in the production stage**⁴¹.

- **Enhancing the production organisation systems and methods.**

We undertake projects to improve factories' production organisation systems, as they have a direct impact on the working conditions of workers. These kinds of projects enable aspects such as ergonomics, working hours, wages and job satisfaction and motivation to be addressed and improved.

With this goal in mind, the *Lean* Project, an internal initiative undertaken by Inditex textile and industrial engineers in countries such as China and Portugal (where we also collaborate on its implementation with a local university), is particularly noteworthy. We also participate in the ILO's *SCORE* programme in this field.

⁴⁰ More information in section 4.3.2 (c) "Sustainable management of the supply chain" of this Statement on Non-Financial Information.

⁴¹ More information in section 2.1.2 c) "Protecting the workers of the supply chain" of this Statement on Non-Financial Information

- **Improving management systems and wage digitalisation.**

Improved wage management systems and payment methods result in several benefits for both the worker and the suppliers. For this reason, we conduct various actions and projects to drive the digitalisation of wages, and to raise awareness among workers and suppliers around how these actions encourage financial inclusion and empowerment. Furthermore, the **digitalisation of wages has become particularly relevant given the pandemic situation** in many of our production countries, in order **to facilitate compliance with social distancing measures and to make payments properly and promptly** even when workers are not on site at the factory.

c) Gender, diversity and inclusion

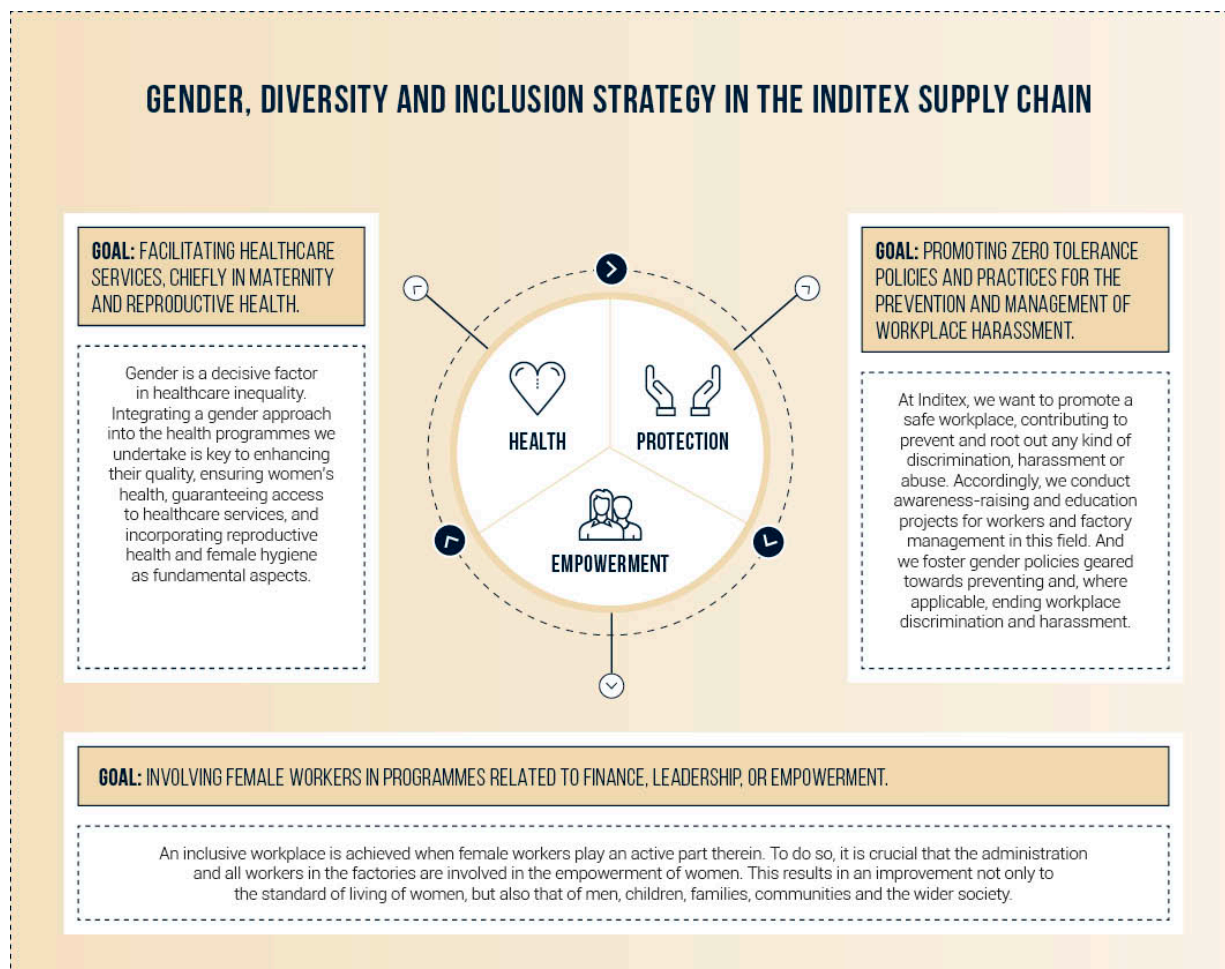
PROMOTING THAT ALL WOMEN IN THE SUPPLY CHAIN BENEFIT FROM THE BEST CONDITIONS AND THE SAME OPPORTUNITIES AS MEN, AT THE SAME TIME THAT GENDER EQUALITY IS PROMOTED ON A TRANSVERSAL WAY, AND CREATING A DIVERSE, SAFE AND INCLUSIVE WORKER ENVIRONMENT

RELATED SDGS	CORE STAKEHOLDER GROUPS
 	<i>International Labour Organization / BSR / Swasti / Medicus Mundi / UN Women / AÇEV / United Nations Foundation</i>
 	

In line with the fifth Sustainable Development Goal – achieve gender equality and empower all women and girls – **and since our supply chain chiefly comprises women, we view their empowerment as a core objective** of our strategy to achieve a sustainable chain.

Our actions to promote women's empowerment are not only geared towards the factories with which we work, but through a cross-cutting approach to the three dimensions of the *Workers at the Centre 2019-2022* strategy, because the inequalities women face go beyond the workplace and are an obstacle to progress in all aspects of their lives.

This is an aspect that involves the company and industry globally. Thus, in 2020, the company has promoted new activities and projects working in collaboration with internal commercial teams, as well as with relevant external stakeholders, such as other brands in the sector, the International Labour Organization and BSR. In collaboration with the latter, we have undertaken a global project called *InditeXher*, aiming to implement women's empowerment programs in factories and to analyse the impact they have on purchasing practices and vice versa.



Inditex's women's empowerment strategy is based on three pillars on which all the projects and programs we undertake are structured. The three pillars are as follows:

- **Health: Facilitating healthcare.**
 We facilitate access to healthcare services, chiefly in maternity and reproductive health. One of our key partners in this field is Medicos Mundi with whom we work to improve the social and health aspect of the textile supply chain in Morocco.
- **Protection: zero tolerance to workplace harassment.**
 Inditex fosters the development of policies and practices at the facilities with which it works with a zero-tolerance approach in terms of issues such as discrimination, harassment and abuse at any level. In this regard, awareness-raising activities are carried out by organisations such as Swasti, in the case of India.
- **Empowerment: involving female workers in programmes related to finance, leadership, and empowerment.**
 The ultimate goal of our strategy is **to foster leadership and empower women to achieve inclusive workspaces and communities.** In this sense, we undertake empowerment programs in different fields – specially in financial empowerment – which we implement through BSR's *HER Finance* programmes.

At the end of 2020, we decided to include diversity and the inclusion of other groups, besides women, as another part of the strategy, upholding the three fundamental pillars and the main goals, but adapting them to this new line of action.

d) Occupational Health and Safety

GUARANTEEING THAT WORKERS IN THE SUPPLY CHAIN ARE PROTECTED AGAINST RISKS TO THEIR OCCUPATIONAL HEALTH, SAFETY, AND WELL-BEING

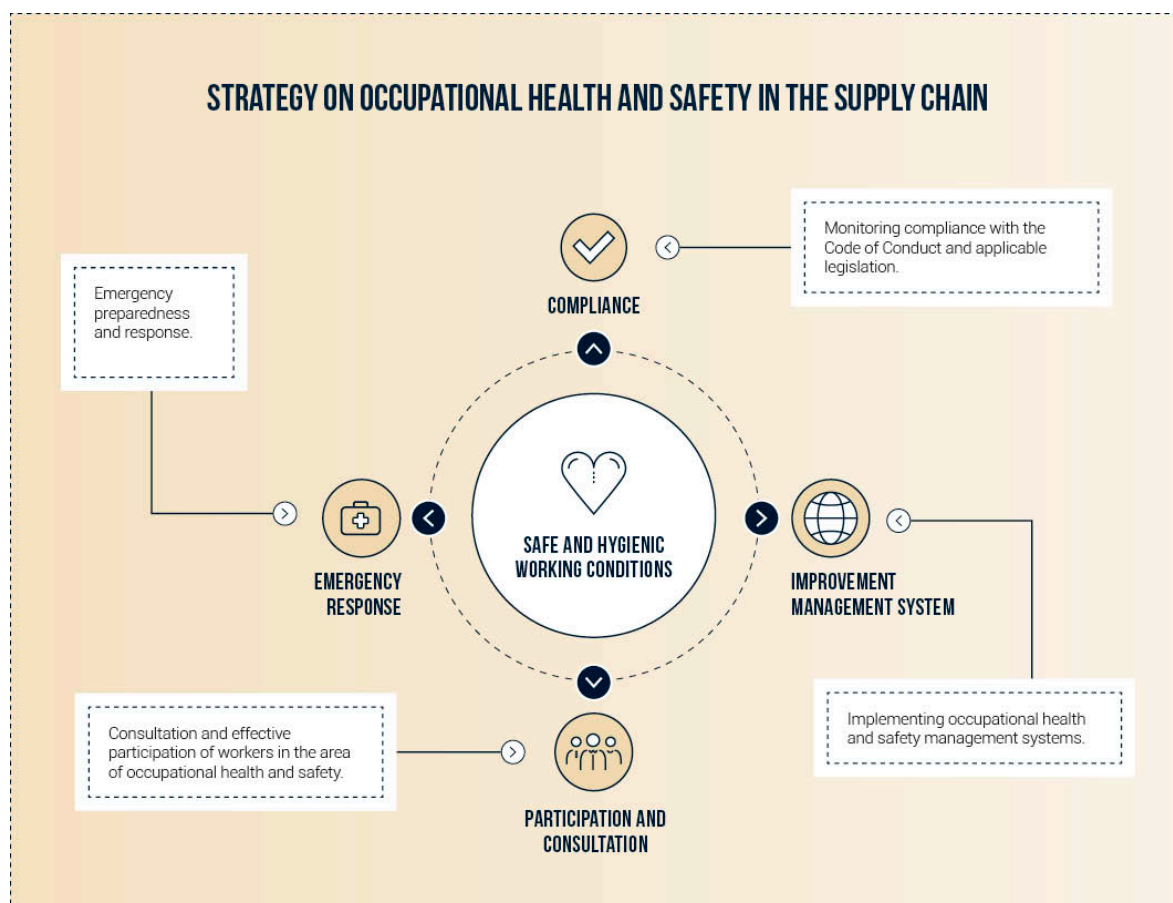
RELATED SDGS	CORE STAKEHOLDER GROUPS
  	<i>Accord on Fire and Building Safety in Bangladesh / RSC (RMG Sustainability Council) / IndustriALL Global Union / Nanjing University / Universidade do Minho / Medicus Mundi Sur / AKUT Search and Rescue Association</i>

Along this strategic line, the primary goal is to ensure that all workers in the supply chain are protected from any risk with regard to their occupational health, safety and well-being.

This field has become increasingly relevant in the past year due to the global pandemic, which has greatly affected the factories, and as a result, workers in Inditex’s supply chain. In this sense, we have focused on **ensuring the health and safety of all workers in the facilities with which we work**, providing various forms of support in this field to our suppliers and manufacturers from the outset.⁴²

In parallel, work has continued on the strategy and activities already being implemented, adapting them to the current situation, where necessary. This matter includes various kinds of aspects, including structural safety, chemical and electrical machinery management, as well as ergonomic factors. The key lines of work are:

⁴² More information in section 2.1.2 (a) “Protecting the workers of the supply chain” of this Statement on Non-Financial Information.



- Monitoring compliance with the Code of Conduct and relevant legislation.**
 Through our audits, we perform monitoring to ensure the facilities we work with meet the basic health and safety standards laid down in our Code of Conduct for Manufacturers and Suppliers, as well as local and international regulations. With the information gathered therein, we undertake programmes and activities intended to improve the health and safety at manufacturers and suppliers facilities, which are themselves a major active part of these initiatives.
- Effective participation of workers in occupational health and safety.**
 For Inditex, the active involvement of workers as a core tool for the fostering of and respect for human rights is fundamental. For this reason, we foster the establishment and creation of health and safety committees in factories.
- Implementing workplace health and safety management systems.**
 Establishing management systems is key to ongoing improvement in health and safety. We support our suppliers in the implementation of these systems, in order to achieve safe and healthy working environments, through ongoing improvement plans, site visits and accompanying risk identification and resolution.
- Emergency: preparation and response.**
 We support our suppliers in developing and implementing plans for emergency response and imminent risk situations.

e) Protection of migrants and refugees

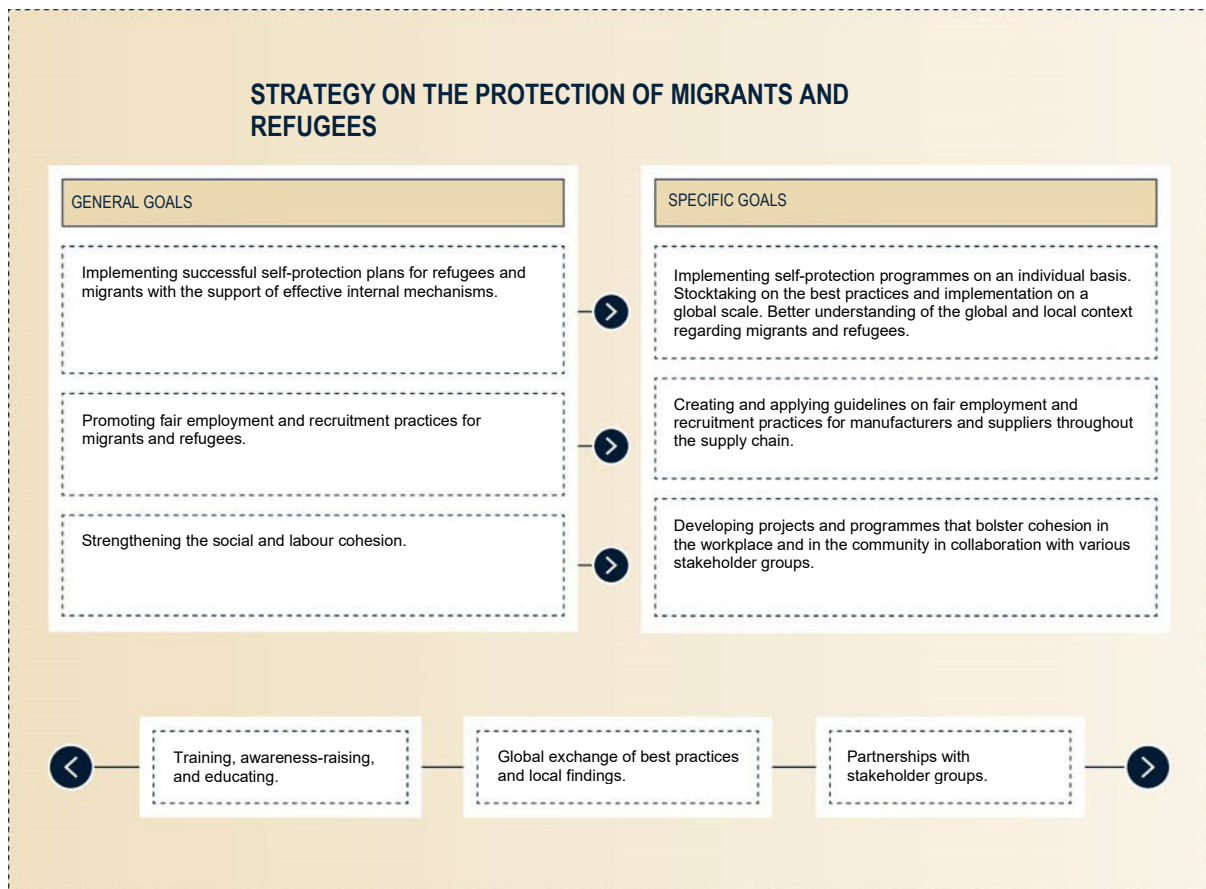
ENSURING THAT THE RIGHTS OF REFUGEES AND MIGRANTS ARE UPHELD AND THAT A DECENT WORKPLACE IS PROVIDED IN FACTORIES, SUPPORTING COHESION

RELATED SDGS	CORE STAKEHOLDER GROUPS
 	<i>International Labour Organization / CCR CSR / United Work / MUDEM</i>
	

Forced migration can result in both personal and professional vulnerability. In this sense, **Inditex has a zero-tolerance approach to any form of forced labour or exploitation, discrimination or harassment** and attaches particular importance to the protection of potentially most vulnerable groups, such as migrant workers or refugees.

We have a strategy particularly focusing on the protection of refugees and migrants the theoretical basis of which are the principles laid down in the United Nations Global Compact on Refugees and the United Nations Guiding Principles on Business and Human Rights.

The core goal of our actions is to **remedy any potential situation of discrimination and to promote fair labour practices that foster cohesion**. Although it is a global strategy, the efforts we undertake are especially relevant in countries such as India and China - where internal migration is frequent-, or in Turkey, which receives a high number of refugees and migrants.



The primary lines of action of the strategy are as follows:

- Remediation plans for refugees and migrants**
 Remediation plans are established to provide a solution to individual casuistry, but **based on the best practices acquired on a global level**. Various external stakeholders, as well as suppliers and manufacturers, can collaborate in their implementation, supporting us in **applying remediation measures**. One of our main partners in this area is the Refugee Support Centre (MUDEM) in Turkey, with whom we have held a framework agreement since 2015.
- Fair employment and recruitment practices for migrants and refugees.**
 We train suppliers in the implementation of best practices for recruitment and employment that **guarantee equal opportunities**. We also undertake various support and awareness programmes both for suppliers and for workers themselves.
- Reinforcing social and workplace cohesion.**
 We strengthen and foster social cohesion in workplaces through **programmes and training to raise awareness among** workers and employers regarding labour and social integration and cohesion.

Throughout 2020, we have continued to work in this direction, adapting, where necessary, to the health crisis situation, and upholding active communication with the various stakeholders in order to understand how migrant workers and refugees may be affected.

f) Social Protection

ENABLING THE WELL-BEING OF WORKERS IN THE SUPPLY CHAIN	
RELATED SDGS	CORE STAKEHOLDER GROUPS
 	Pratham / Swasti / Istanbul Bilgi University / Çağdaş Türkiye'nin Gelecek Güvencesi /
 	

Social protection is defined as the **set of policies and programmes to protect and prevent workers from vulnerability** associated with the work they carry out, the situation or the context, thus, enabling their well-being and ensuring that their Human Rights are respected.

In 2020, social protection has become especially important to overcome the challenges arising from COVID-19. In this sense, it is worth highlighting our active role, together with other relevant stakeholders, in formulating and developing the **COVID-19 initiative:**

Action in the Global Garment Industry, the primary focus of which is social protection.⁴³

⁴³ More information in section 2.1.2 b) Protection of workers in the supply chain of this Statement on Non-Financial Information.



In parallel, in addition to our collaboration in this initiative, we have continued to work on the different lines of action included in our social protection strategy:

- **Facilitating access to adequate nutrition and drinking water.**

We seek to guarantee these universal rights for all the workers in our supply chain.

Furthermore, our Code of Conduct lays down the requirement of our suppliers and manufacturers to provide access to drinking water at the facilities. Training in this field given to suppliers and manufacturers and the workers themselves is crucial to achieving these rights.
- **Access to social protection and social benefits.**

Our goal is to ensure that workers are covered and have access to necessary benefits and social protection, regardless of the country in which they live and work.
- **Alleviating poverty and preventing school drop-out.**

To achieve this goal, we collaborate with various local organisations and entities, such as Sankalp in India, and CYDD in Turkey. We have a Remediation Plan in the event of identifying cases of school drop-out to contribute to the family economy. We also undertake programmes to prevent this type of practice and to foster education.
- **Promoting health and personal and well-being of workers.**

We endeavour to improve the health and hygiene of workers globally. The ultimate goal is to improve the physical and psychological well-being of workers and their families. For this reason, training and several activities are carried out.

g) Protection of labour rights in the production of raw materials

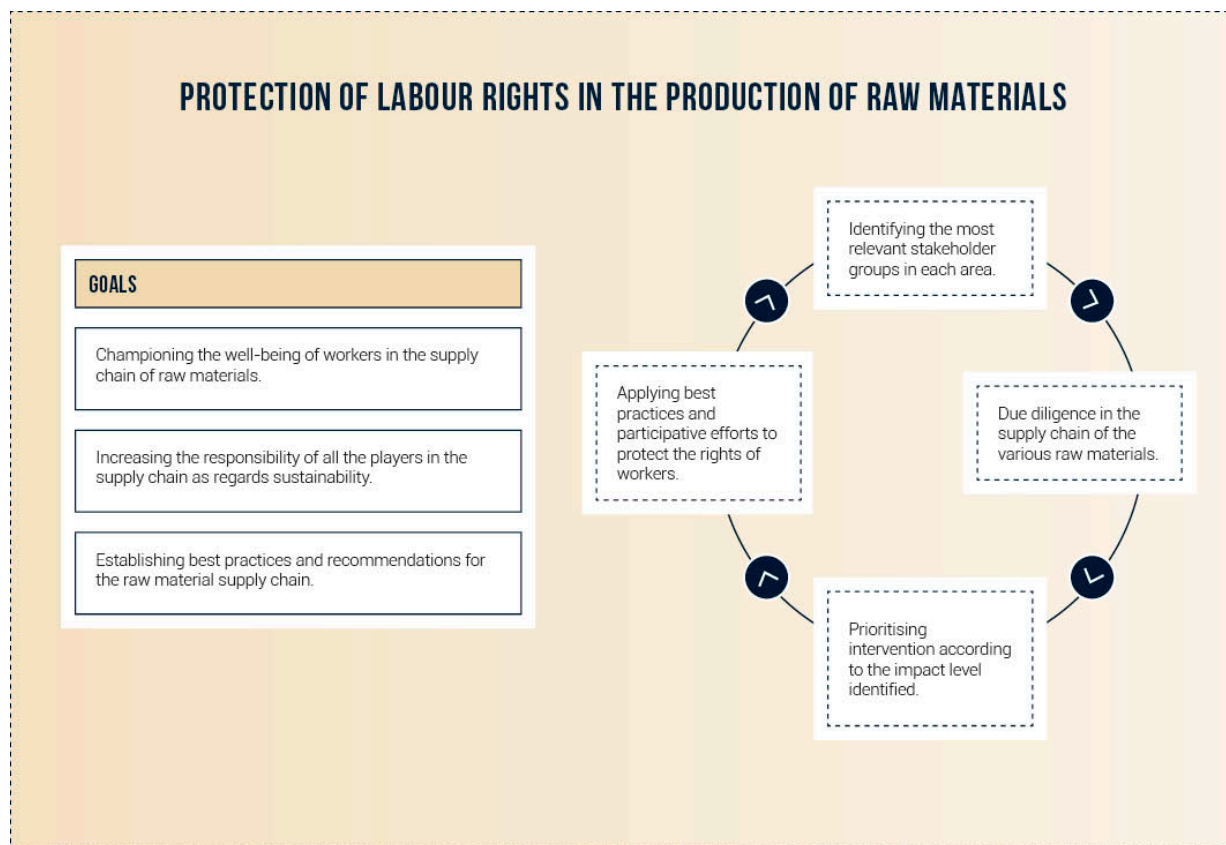
IMPROVING THE HUMAN AND LABOUR RIGHTS OF THE WORKERS IN THE SUPPLY CHAIN OF RAW MATERIALS THROUGH PROACTIVE ACTIONS IN TERMS OF THE WORKPLACE, THE COMMUNITY, AND INDUSTRY

RELATED SDGS	CORE STAKEHOLDER GROUPS
 	<i>International Labour Organization / IPUD / Tata Institute of Social Sciences / Action for Social Advancement</i>
	

Through the due diligence process conducted, we have detected that **workers employed in the raw materials supply chain can be particularly vulnerable since they have to deal with different realities** compared to the rest of our supply chain. Among other factors, this is due to being far from the manufacture of the end product, and to the complex context and structure of raw material supply chains.

For this reason, once again, **collaboration at sector level with several organisations is crucial.**

For instance, we collaborate with the Better Cotton Initiative, Textile Exchange, Organic Cotton Accelerator and the International Labour Organization, in order to enhance the sustainability of the cotton production chain.



The strategy in this field is structured around the following lines of action:

- Championing the well-being of workers in the supply chain of raw materials.** In this field, we work with the International Labour Organization through a public-private partnership signed in 2017. Its core goal is to **increase and foster knowledge of the fundamental Human and labour rights of workers in the cotton supply chain** and the communities in which they operate. The project is being undertaken in India, Pakistan, China and Mali. In 2020, we continued to make progress to implement the project in collaboration with various organisations and stakeholders.

- **Raising the responsibility of all the players in the supply chain of raw materials as regards sustainability, for our raw materials to comply with all the standards.**

Along this line of action, this past year we have continued to expand on the applicable due diligence process in the leather sector, to be able to overcome the various Human Rights challenges it faces.

- **Creating best practices and recommendations for the raw material supply chain.**

We contribute to the development and creation of good practices with various stakeholders that can serve as a benchmark for the sector as a whole.

In the past two years, several reports have been published condemning social practices and breaches in some regions of Central Asia where Inditex does not operate. At Inditex, we seriously analyse any information related to abusive or inappropriate practices at any link in the textile sector supply chain, and we put the necessary mechanisms to prevent or remedy them into practice.

In 2020, based on our due diligence processes and in collaboration with various organisations, **we continued to work to ensure the absence of forced labour – on which we have a zero-tolerance approach – as well as to ensure compliance with international standards and our Code of Conduct for Manufacturers and Suppliers** also in the raw materials supply chain. Inditex has developed and applies strict policies and actions with the ultimate goal of fostering respect for the Human Rights of all workers in our supply chain.

Our audit programme, together with the projects and programmes of the “*Workers at the Centre 2019-2022*” social strategy, and our close and permanent partnership with certain stakeholders, such as the Ethical Trading Initiative, Better Cotton Initiative and the ILO, strengthen our commitment to the prevention of forced labour. In this regard, we remain committed to the process of involvement and dialogue with relevant stakeholders (both local and international) in order to identify opportunities to prevent negative impacts on workers' lives.

For this reason, we undertake actions in the following fields:

- In the community. Through the public-private partnership with the ILO to improve Human and labour rights covering the fundamental principles and rights at work, including the prevention of forced labour.
- At industry level. As laid down in the UN Guiding Principles on Business and Human Rights, and in partnership with various stakeholders, we work to promote the Human and labour rights of the workers in the global textile supply chain.

Furthermore, Inditex is a signatory to the “Uzbek Cotton Pledge” geared towards eradicating forced labour in the cotton chain in Uzbekistan (<https://www.sourcingnetwork.org/uzbek-cotton-pledge>).

3.7 CIRCULARITY

Related material topics: *Circularity, Product sustainability, Protection of natural resources, Stakeholder engagement*



3.7.1 Circularity at Inditex

We understand that progressing towards a **sustainable business model** involves offering customers **ethical and responsible products**, as well as being **more efficient with resources**.

At Inditex, we try to integrate the **circular economy** into all our activities and operations: from efficiency in our offices, to our products, logistics and commercial spaces management.

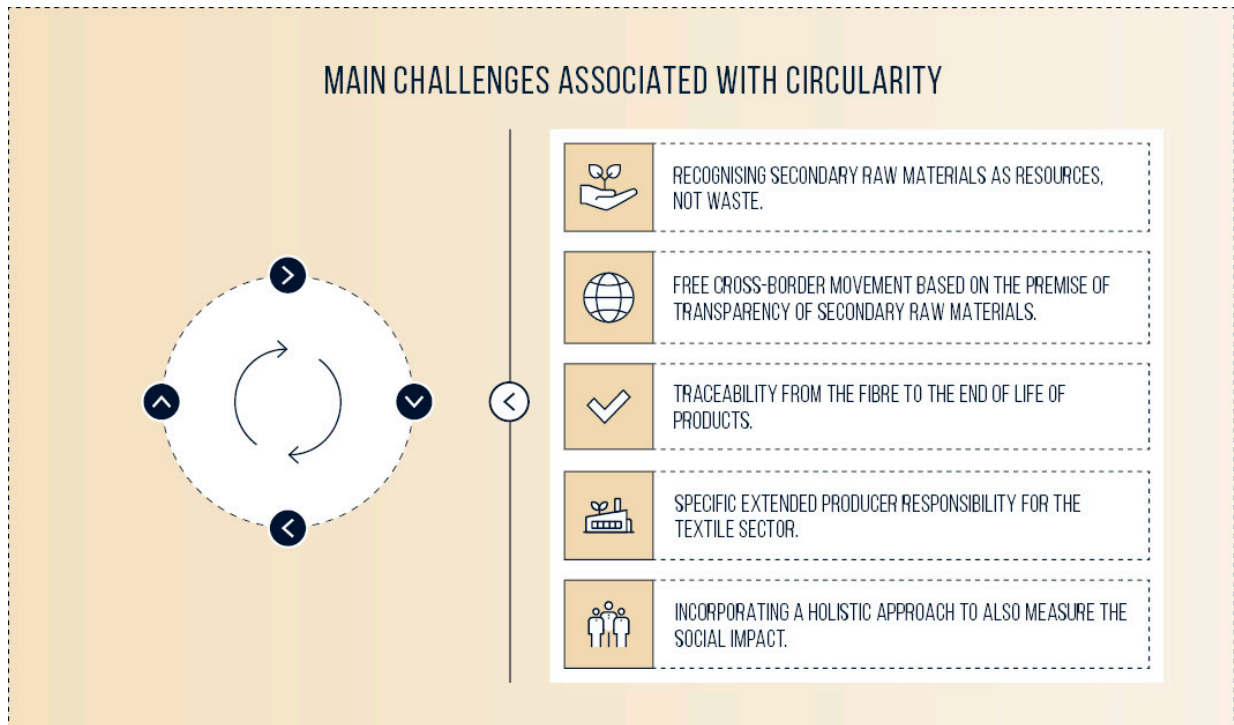
The **circular economy** enables growth to be achieved, while conserving natural resources and promoting renewable energy, and **represents a big opportunity for transformation, benefiting people, the environment and economies**.



Our goal is to **achieve a circular business model with a positive social and environmental impact** and to generate **shared value** between Inditex and its environment.

The **circular economy** is present in Inditex through the various initiatives that seek to **close the life cycle of our products and the materials we use**. Our objective is **to transform the concept of waste** so that it is considered a valuable resource that can be recovered and reintroduced as a raw material in production systems. Furthermore, we seek to develop **design techniques** to extend the life of products and materials, curbing waste generation, and maximising their recycling potential at the end of their life.

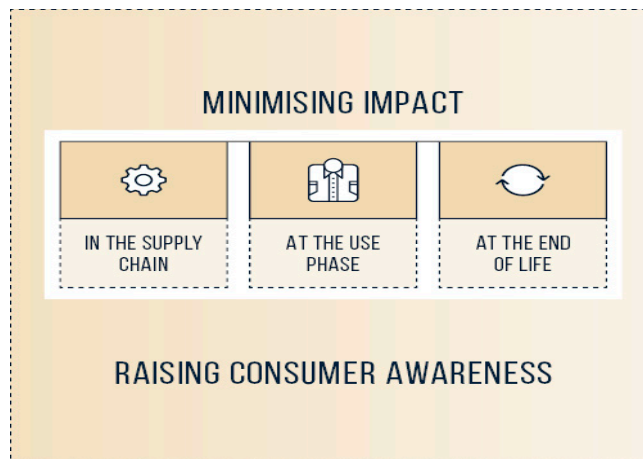
In order to take on a more active role and progress in each of these areas, Inditex has established several **public commitments on sustainability for 2020-2025**. Through these commitments, we endeavour to progress steadfastly in order to break down and effectively address the barriers to **circularity**, generating shared value between Inditex and its environment.



At Inditex, we work on this **circular economy model** to reduce dependence on raw materials and resources, improve profitability and competitiveness and generate job opportunities. Among the various relevant requirements for a circular recovery model in the textile industry, we believe that design for better circularity and management of waste, as well as separate collection of textile waste, sorting and infrastructure for recycling are key elements for developing an effective process.

We also believe that the **drive towards circularity must be a joint effort** between consumers, industry and different governments. Working together will provide support to the production and commercialization of sustainable products, creating tangible and lasting value for people and the planet alike. Therefore, at Inditex **we contribute our vision and experience** to debates on major matters related to circularity and endeavour to align positions with all relevant stakeholders, in order to promote the circular economy together. Thus, we address this issue both collectively, through sector associations or specific partnerships, and individually.

3.7.2 Main lines of action



a) Minimising impact in the supply chain



Curbing the impact in the supply chain with regard to materials, processes and distribution is essential in order to close the loop and/or commit to usability. This can only be achieved through efficiency in processes, replacing virgin raw materials and processes with lower impact alternatives, and eliminating certain materials and processes that have a negative impact.

At Inditex, we undertake various projects related to curbing the environmental impact in our supply chain, which are set out below:

Projects of recycled raw material with less impact	t2t (<i>textile to textile</i>) programmes
	Recycled polyester

- t2t programmes

This project's overall goal is to recycle own waste and move towards a circular business model, championing the scalability of textile recycling in the industry. It seeks to expand new recycling technologies by eliminating the current limitations on the recycling of textile waste from blends, obtaining economically feasible textile-to-textile recycling solutions, by using post-industrial waste from our suppliers as raw material, facilitating the availability of recycled fibre.

The *Sustainability Innovation Hub*⁴⁴ initiative, an open innovation platform based on collaborative technological surveillance, gives rise to the **t2t (*textile to textile*) programmes**, which aim to make recycled cotton most widely used.



Our goal: to create in our supply chain an **offering of high-quality recycled cotton yarn at a competitive price**, based on the pre-consumption waste generated by our productions.

Featured initiatives

t2tCR_ <i>textile to textile chemical recycling</i>	<p>This is the first pilot implementation from the <i>Sustainability Innovation Hub</i> geared towards chemical recycling, which was launched in December 2020. Its goals are:</p> <ul style="list-style-type: none"> • Boosting new recycling technologies by eliminating current limitations on the recycling of textile waste from blends. • Achieving economically feasible <i>textile-to-textile</i> recycling solutions. • Using – as raw material – post-industrial waste from our suppliers, items not sold or defective. • Having and providing preferential access to recycled fibres for our suppliers.
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⁴⁴ More information in section 4.2.2 (a) “*Selection of materials*”, of this Statement on Non-Financial Information.

<p>t2tCR_chemical recycling by ionic solution</p>	<p>With the backing of Inditex, the University of Vigo is conducting research on ionic solutions to separate natural synthetic components in textile blends (e.g. cotton + polyester). The project – founded within the framework of the MISTI (<i>MIT International Science Technology Initiative</i>) – is in its fourth year of development. The work is conducted in unison by two laboratories and two multidisciplinary teams fully dedicated to the project (MIT + University of Vigo).</p>
<p>t2t MR_ textile to textile mechanic recycling</p>	<p>In 2020, pre-consumption cotton waste mechanical recycling circuits have been launched in order to recover and recycle cutting waste from our factories to produce high-quality, competitively priced recycled cotton fibre.</p>

- Recycled polyester

Inditex seeks to use fibres which consumption minimize the impact compared to other fibres. Recycled polyester is among these fibres.



Our goal: to ensure a supply of rPET that is aligned in terms of time and costs with our target of **100% sustainable polyester by 2025**.

We are currently researching the process of manufacturing recycled polyester, in order to set forth a strategy to guarantee the supply of this material that will have major advantages over the associated impact of the product in terms of reducing fossil fuel consumption and PET circularity, among others, but it will also reduce the demand for virgin raw material.

b) Minimising the impact in the use of products



The reduction of the impact in product use seeks to extend product life, ensuring product quality, and improving usability/functionality and reuse. Measures such as choosing finishes that require less maintenance (washing, ironing, drying, etc.), using materials that are resistant, with better dyes and finishes that seek to ensure physical durability, increasing the versatility and functionality of the products, and increasing the emotional bond with garments through customisation and extending their use, among other aspects, become paramount to reducing the impact in product use and extending product life.

At Inditex, we undertake various projects related to reducing the environmental impact in the use of our products:

- Optimising systems and partnerships with third parties within the *Closing the loop* collection of used garments programme
- Research aimed at defining materials that require less maintenance
- Training buying teams, focusing on more sustainable raw materials and wet processes, to foster a more sustainable product

Research into promoting maintenance with a lower impact
Research into measuring and reducing the release of microfibres when washing the garment
Research into increasing the usability of garments

c) Minimising end-of-life impact



The aim is to achieve the reuse of product components, their recyclability and their biodegradability. For that reason, it is essential to reduce the complexity of materials (quantity and distribution), facilitate their disassembly and instil best practices in the user.

At Inditex, we undertake various projects related to curbing the environmental impact at the end of life of our products, which are set out below:

<i>Zero Waste Programme</i>
<i>Green to Pack Programme</i>
<i>Closing the loop Programme</i>
Promoting the systems for identifying and sorting <i>Closing the loop</i> garments, according to their qualities, composition and colour, in collaboration with our partners
Assessing mono-material design by training designers
Driving design with recyclable colours

- *Zero Waste Programme*

This programme is one of the initiatives undertaken by the Company to integrate the circular economy concept into our business model, in an effort to fulfil our commitment that, by 2023, waste from our activities in offices, logistics centres and stores will not end up in a landfill.

This programme is designed for the **recovery of waste** generated at our facilities, through correct sorting and collection, before subsequent recycling by legally authorized managers. The correct sorting of waste at our facilities is a task that is crucial to the programme, as it becomes a new resource for developing new products. We have developed internal devices to optimize the separation and compacting of such materials, reducing greenhouse gas emissions associated with their transport and improving ergonomics during operation.



GENERATION OF WASTE

Below are the absolute figures for waste generation at headquarters, logistics centres and own factories (excluding stores* data) in 2020 and 2019:

Type of waste	2020		2019	
	Kg	%	Kg	%
Cardboard and Paper	10,974,962	59.39%	14,662,698	62.79%
Wood	3,438,309	18.61%	3,769,554	16.14%
Other non-hazardous waste	2,771,796	15.00%	3,182,099	13.63%
Plastic	863,627	4.67%	892,516	3.82%
Textile waste	302,785	1.64%	498,217	2.13%
Metal	67,747	0.37%	267,715	1.15%
Hazardous waste	58,813	0.32%	78,479	0.34%
TOTAL	18,478,038	100%	23,351,279	100%

The destination of this waste was as follows, according to its treatment:

Destination of Non-hazardous waste	2020		2019	
	Kg	%	Kg	%
Recycling	16,582,699	90.03%	20,903,595	89.82%
Energy recovery	238,426	1.29%	321,323	1.38%
Landfill	1,598,100	8.68%	2,047,882	8.80%
TOTAL	18,419,226	100%	23,272,800	100%

Destination of Hazardous waste	2020		2019	
	Kg	%	Kg	%
Recycling	48,547	82.55%	71,613	91.25%
Energy recovery	976	1.66%	1,329	1.69%
Landfill	9,290	15.80%	5,538	7.06%
TOTAL	58,813	100%	78,479	100%

* Information on waste generated in own stores not available with the level of breakdown required in the company's systems. Inditex has several projects underway in order to be able to report this information in future reporting exercises

Likewise, associated with Group's products, we place **packing and packaging material** on the market (bags, labels and protective items) which are managed by the Packing and Packaging Management Integrated Systems available in the markets in which we operate. This means that each one of our brands deals with an authorised non-profit waste manager in every market (for instance, Ecoembes in Spain) for the cost to collect and manage the packing and packaging materials used for customers.



Our commitment: by 2023, waste generated by our activities in offices, logistics centres and stores will not end up in a landfill.

Featured initiatives

<p>Reused or recycled waste</p>	<p>Waste generated by the Group is channelled through our own collection circuits and treated by legally authorised waste managers, favouring recycling or recovery, transforming waste into new material resources.</p> <p>In 2020, 91.30% of our waste paper, cardboard, wood, plastics, metal and textile scraps mainly, generated at Inditex's headquarters, logistics centres and factories, were sent for reuse and recycling through the abovementioned circuits (91.21% and 88.09% of waste in 2019), thus avoiding using virgin raw material.</p> <p>Our recycling and reuse activity covers many other areas. For instance, alarm tags are also reused, having collected 1,074 million over the last year (1,302 and 1,201 million units in 2019 and 2018, respectively).</p>
<p>Single Hanger</p>	<p>The Single Hanger Project consists on the development of one single hanger to transport the garments from the textile suppliers to the stores and subsequent display in the store.</p> <p>During 2020, we implemented the project in Zara Woman, and it has been started in Man and Kids sections, where it will be implemented in the 2021 Spring/Summer campaign.</p> <p>We have also unified hanger models and materials, which has led to improved traceability and reuse and recycling capacity.</p> <p>In 2020, 61.8 million conventional hangers have been recovered from stores (115 million hangers in 2019; 120 million hangers in 2018). The number is down on last year due to the progress in implementing the Single Hanger project, which involves the gradual withdrawal of conventional hangers.</p> <p>In accordance with the above, the waste from the old, discarded hangers is not wasted, but is being withdrawn in order to give it a second use by creating new elements that the Group uses again in new products. For instance, our hangers are being used in the manufacture of 100% recycled navets (plastic thread used to attach labels to garments).</p>
<p>Training</p>	<p>The reduction at source and improvement of recycling is also present in the training of our employees. During 2020, training in waste management has been given to 1,397 employees (1,905 and 1,233 employees in 2019 and 2018, respectively). To support such training, a pilot project based at Inditex headquarters has been developed, with a web application allowing employees to check the use of every waste product depending on the type of container available in each of the areas.</p>

- *Green to Pack Programme*

Our Green to Pack programme sets the **quality standards of our packaging**, enabling the use of recycled materials, the extension of its useful life and facilitating subsequent recycling. We thereby improve the quality of our packaging and reduce resource consumption, while optimising transport.



Our goal: **to ensure that 100% of packaging is reused or recycled** in the supply chain.

Featured initiatives

<p>Cardboard Boxes</p>	<p><i>Green to Pack</i> enables us to continue to enhance the quality of the cardboard boxes that transport our garments from suppliers, prioritising the use of recycled materials and extending their useful life. They contain 64% recycled cardboard sourced from the market and can be used up to five times before being sent for recycling.</p> <p>The cardboard obtained from the recycling process of the <i>Green to Pack</i> boxes is used to manufacture boxes for Zara's online delivery, in addition to other uses. Furthermore, in order to reduce the amount of materials, in Zara's online delivery, we have increased the use of paper envelopes this year by 8 percentage points compared to traditional boxes.</p> <p>All the Group's brands are part of the programme, which is being joined by increasingly more markets. The programme is currently implemented in Bangladesh, Cambodia, India, Mainland China, Myanmar, Pakistan, Portugal, Turkey and Vietnam, and Morocco, Tunisia and Egypt have joined in the last year. More than 16 million certified boxes have been acquired through 1,196 suppliers in 2020. (14,740,028 certified boxes through 827 suppliers in 2019)</p> <p>This year, we have optimised the packaging of the 45,000 Christmas hampers we deliver, working with our suppliers to improve the pre-production, palletising and transport stages. Items are shipped in pallets in bulk, avoiding packs or individual packaging. This enables us to reduce packaging and facilitate production line tasks, allowing us to reduce plastic by 65%, cardboard by 80%, and save on 60,000 meters of tape, ensuring that all the materials of the items contained in the box are recyclable. As was the case in previous years, we also continue to make the box using recycled material from our facilities.</p>
<p>Plastic</p>	<p>Throughout the year 2020, all the Groups' brands have completed the switch from plastic bags to paper bags in stores and they have removed plastic from online orders, which no longer come with an outer bag. Thanks to this, we have fulfilled our commitment to eliminate plastic bags in all the Group's brands in 2020.</p> <p> Our commitment: elimination of single-use plastic to customers by 2023.</p>

Inditex endeavours to reuse or recycle all plastics used in its activity and introduce them back into the supply chain. In line with this outlook, we have joined the global commitment New Plastics Economy by 2025, promoted by the Ellen MacArthur Foundation (EMF), in collaboration with United Nations Environment. The commitment enables all plastics used in our business to be reused or recycled, in order to be reintroduced into the circuit, while cutting the amount of unnecessary plastic *packaging* and increasing the percentage of recycled content in such materials.

Through the New Plastics Economy Global Commitment, we have committed to undertake the following actions in the next 5 years:

- Eliminate problematic and unnecessary packaging
- Switch from single-use packaging models to reuse models
- Achieve 100% reusable, recyclable or compostable plastic packaging
- Increase the content of post-consumer recycled packaging

We also participated in the Ocean Pillar by 2025 and 2030 initiative, promoted by The Fashion Pact. Its goal is to greatly reduce the impacts of packaging on the oceans, and it is focused on two actions:

- Elimination of unnecessary plastic packaging for customers by 2025 and in the supply chain by 2030
- At least half of all plastic packaging made from 100% recycled content by 2025 for our customers, and by 2030 in the supply chain.

Joint action and innovation play an essential role in order to achieve these commitments. The goal is to create an ecosystem in which to share experience and knowledge in packaging improvements in a pre-competitive environment, enable the development of the sector, and in which to create a unique meeting point with the most innovative packaging start-ups.

In line with our goal of removing single-use plastics for customers by 2023, and thanks to the major work of our product design and innovation team, in 2020, several actions have been conducted on all brands and sections, to eliminate, reduce and replace single-use plastics for customers.

Some of the most prominent lines of action are as follows:

- **Zara** has removed or replaced plastic elements in all sections and departments in more than 100 million units, with noteworthy progress made in the accessories department. **Pull&Bear** has replaced all customer gift and payment cards made of plastic for ones made of card, and all hangers manufactured are now 100% recycled.
- **Zara Home** has removed all plastic protective bags from bedsheets and, together with **Oysho**, **Stradivarius** and **Lefties**, it has made progress in replacing plastic in stands and pack bags. **Uterqüe** no longer delivers any single-use plastic to customers, reaching the goal as early as 2020.

Other relevant actions include the following:

- Replacing polyester tape included in Zara shoe boxes with a paper ribbon.
- Replacing the polypropylene gift bag that is shipped on our online Zara orders with a 100% cotton woven bag.
- Developing a single-material anti-mould patch included in the packaging to absorb moisture. It is a replacement for the previous patch, comprising a mixture of materials, in order to facilitate recycling.
- Manufacturing 100% recycled black plastic barbs (plastic thread used to attach labels to garments), 90% of which comes from recycling our hangers.

Several improvements have also been made to our operations, including:

- Replacing plastic trays for shoes in stores storage, reaching 600,000 units and upwards of 600 tons of plastic removed.
- Using 100% recycled plastic tarpaulins to cover goods in air freight shipments to our stores.
- Increasing the percentage of post-consumer recycled content in bags we use to collect and sort plastic at our centres, which currently contain 100% post-consumer recycled content.
- Eliminating single-use beverage containers at our own facilities.

- *Closing the Loop*

At Inditex we endeavour to close the loop of our business model and progress towards the circular economy or, in other words, develop a complete and efficient life cycle for our products so that none end up in a landfill.

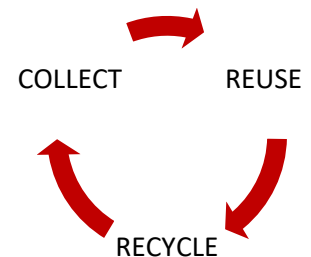


Our commitment: **used clothing containers in 100% of our stores by 2020.**

To achieve fulfilment of this commitment, we have our own collection programme that we have called *Closing the Loop*. It is an initiative with which Inditex offers its customers and employees the best **collection channel for used clothing, footwear and accessories**, to give them a second life or a new use and promote closing the textile product cycle, preventing them from ending up in a landfill. At the same time, this project helps to promote **social employment** and **collaboration with social entities and the third sector**.

COLLECT, REUSE, RECYCLE

These are the three core areas of our *Closing the Loop* Programme, which aims to extend the useful life of textile products through their reuse, giving them a second life if possible, or recycling them when they can no longer be used:



COLLECT

The *Take Back* programme is an initiative by Inditex to **collect used products or materials from consumers** and find them an alternative destination to landfill (donation, reintroduction into the original processing and manufacturing cycle, etc.). We are implementing this programme in partnership with social organisations and materials processing and logistics companies.

In 2020, we have achieved the commitment – laid down by the Annual General Shareholders' Meeting in 2019 – of **used clothing containers in 100% of our stores* (31% in 2019 and 18% in 2018)**. Thus, the service is available for the customer to deposit used or no longer needed garments, anywhere in the world, preventing the garments from ending up in a landfill.

At the end of 2020, the programme has been implemented in **94 markets in partnership with 95 different social organisations** (46 markets and 45 different social organisations in 2019 and 24 markets and 12 social organisations in 2018, respectively), with a distinct vision of local social action by training people at risk of exclusion to qualify for the work. This initiative thus contributes to generate social employment and to develop these organisations' capacity for classification and professionalisation.

We also have containers to collect clothes in our **logistics centres, headquarters and own factories** and also, in partnership with **Cáritas**, in Spain we have implemented this programme with containers in the streets of various cities, available to customers. At the end of the financial year 2020, a total of **2,090 containers** have been accounted for (1,856 containers at the end of 2019 and 2018).

The collection service is also **available when ordering online**, as customers can request the collection of clothes, taking advantage of the home delivery service. This service is in place in Spain, in many cities in China, Paris, London and New York, and work remains ongoing to implement the program online in other representative markets.

The collected garments are donated to **non-profit organisations** that separate and sort them in order to find a better use for them. Up until last year, **91 collaboration agreements** were signed, including all the agreements signed with the various social organisations in all markets*.

*This does not include those stores located at markets in which this is not possible due to local legislation and contexts.

PARTNERSHIP WITH CÁRITAS



2020 represented the **fourth year running the programme** to strengthen the management of the end of life of textile products in partnership with Cáritas. This collaboration, to which Inditex has allocated **7 million euros** for the 2016-2022 period, has resulted in the creation by Cáritas of the **“Moda Re-” programme**. The ultimate goal of this project, dedicated to **collecting and processing used textiles** in order to **recover and reuse them**, is to generate employment for people in situations of vulnerability. Through **Inditex's support** for this social economy initiative, 2,090 containers have been installed in Spain, over 61,000 tons of clothing have been collected, 24 establishments selling second-hand clothing have been opened or updated, and 360 jobs have been created, 180 of which are positions occupied by persons in a situation or risk of social exclusion.

REUSE

Through **partnering with different social non-profit organisations**, the **donated garments** are (depending on their condition) **repaired, recycled or sold** to fund the community projects of these organisations.

Since 2015, **over 62,000 tons of garments, footwear and accessories** have been donated (49,479 and 34,157 tons at the end of 2019 and 2018, respectively).

RECYCLE

The collected garments that cannot be reused will be allocated to recycling, thus giving them a **second use in the creation of new raw materials** that can be reintroduced into the production process. This enables us to reduce the consumption of raw materials and waste production.

To close the loop of garments that cannot be reused or the fabric cutting waste, we work with **various business organisations and universities** that promote **innovation and development of new more sustainable materials** and **technologies to help recycle textile waste**.



Recovery of footwear waste and environmental footprint of materials and products

Through Tempe⁴⁵ and in partnership with Spain's main **Footwear Technology Centres**, lines of research have been opened to seek solutions to **recover own waste**, as well as to calculate the environmental footprint of materials and products (footwear and accessories):

- In 2020, a **project to recover waste from footwear soles** was conducted in partnership with the La Rioja Footwear Technology Centre. It is a demonstration project that sought to recover rubber soles from shoes originating from defective manufacturing and/or in-store returns, in order to obtain recycled rubber and maximise the incorporation of this material into new soles.
- In 2020, we joined two **projects to calculate the environmental footprint of materials and products**, headed by the Footwear Technology Centre (INESCOP). We were involved in the *ACV Shoes* project that seeks to analyse and demonstrate the environmental improvement of sustainable footwear components over conventionally-used components, and to become the basis for developing efficient eco-design, manufacture and recycling solutions, in order to obtain shoes with a lower environmental footprint. Secondly, we participated in the Greenshoes4all project that seeks to implement, demonstrate and raise awareness on the Product Environmental Footprint (PEF) methodology for footwear and develop efficient eco-design, recycling and manufacturing solutions, to obtain shoes with a lower PEF.
- Tempe has joined the Circular Industry CV initiative undertaken by the INESCOP Footwear Technology Centre, in partnership with the Textile Technology Institute (Aitex) and the Technological Institute for Children's and Leisure Products (AIJU). This initiative seeks to develop and validate new circular economy models to recover multi-composition waste in the footwear, textile and toy sectors.

d) Raising consumer awareness



In a circular economy, consumers play a vital role not only in making purchasing decisions, but also in repairing, recycling, and reusing a product. Inditex supports the empowerment and protection of consumers, providing a harmonised communication framework.

Inditex is strongly aligned with the European Commission's initiative to **communicate truthful information** on product sustainability declarations as a tool to enable consumers to make responsible **decisions** and foster **circular consumption models**, through the **digitalisation** and **harmonisation of labelling regulations** among European Union Member States.

First and foremost, at Inditex we firmly believe that the keys to **empowering consumers** are **traceability** and **transparency**. We define traceability as the capability to identify and track the history, application,

⁴⁵ Tempe is the Inditex Group company accounted for using the equity method specialising in the design, manufacture and distribution of footwear and accessories for the Group's chains.

location and distribution of products, parts and materials (UN Global Compact, 2014), and we define transparency as the disclosure of information to the public to enable a common understanding, accessibility, clarity and comparison.

Zara has published a **Clothing Care Guide** on its website, through which it offers users advice on maintaining the quality of garments and reducing the impact on their use.

Furthermore, the websites of the various brands feature **information on the source, impact and characteristics of the most sustainable materials**. This work to raise awareness is intended to provide users with information to enable them to become aware of the different sustainable alternatives available on the market so as to foster **responsible consumption**.

3.7.3 Other collaboration projects with third parties

***MIT Spain -Inditex
Circularity Seed
Fund***

MIT-Spain Inditex Circularity Seed Fund is part of MISTI Global Seed Funds. The fund chiefly supports new collaborations between MIT professors and students and their counterparts at universities and research institutions in Spain through an annual call for proposals.

At Inditex we collaborate with renowned entities such as the Massachusetts Institute of Technology (MIT) and Cáritas, among others, to **advance in textile recycling processes and technologies** that help us to meet our circular economy strategic goal. Specifically, we have managed to exceed the commitment set for 2020 with the Global Fashion Agenda of an **investment of 3.5 million dollars (€3,002,809) to fund textile-recycling-related activities**.

The **second three-year edition of the MIT-Spain Inditex Circularity Seed Fund** was launched in 2020 through MISTI (International Science and Technology Initiatives), following on from the first three-year edition of the MIT-Spain Inditex Sustainability Seed Fund (2017-2019). The purpose of the second edition of the fund is geared towards **financing research in areas such as:**

- New textile recycling techniques.
- Creating new fibres based on sustainable technologies.
- New methodologies for improving maintenance and extending the use of garments.
- Optimising the biodegradability of garments.
- Developing new fibre-level trace systems.

This fund fosters collaboration in circularity between research teams of MIT professors and students and their counterparts at universities and research institutions in Spain. **Inditex has contributed an amount of 450,000 dollars (€386,075)** for this second three-year edition, which will cover the 2020-2022 period.

***Global Fashion
Agenda: Call to
Action***

Global Fashion Agenda calls on fashion brands and retailers to take action on circularity.

This non-profit organisation is responsible for the leading business event on sustainability in fashion, the **Copenhagen Fashion Summit**. It brings together members of industry, multilateral organisations, industrial associations, and legislators, etc. each year with the aim of **finding common solutions to accelerating social and environmental sustainability**.

At Copenhagen Fashion Summit 2017, Global Fashion Agenda called on the fashion industry to take action on circularity by signing the 2020 **Circular Fashion System Commitment** (henceforth 2020 Commitment) as a concrete way to turn words into action and to accelerate the industry’s transition to a circular fashion system.

2020 Commitment was signed by 86 companies, representing 12.5% of the world's fashion market. Almost two-thirds of the 207 targets set by its 86 signatories were successfully achieved.

In 2017, Inditex signed **four commitments** with the Global Fashion Agenda geared towards progressing towards the circular economy in four areas (design, garment collection, reuse and recycling). **All the targets were fully reached in 2020:**

- All designers trained in circularity
- Containers for collecting garments in more than 2,000 stores
- Partnerships with more than 40 local NGOs for the collection, reuse and recycling of garments
- Investment of USD 3.5 million (€3,002,809) in textile recycling

Circular Fashion Partnership with GFA, BGMEA and Reverse Resources

An open partnership to join and facilitate collaboration between the world's leading fashion brands, textile manufacturers and recyclers in order to develop and implement new systems to capture and steer post-production fashion waste back into the production of new fashion products. There are two stages: traceability and recovery of waste flows and waste circulation back into the value chain.

Bangladesh hosts between **5% and 7% of the world's textile production**, making it the second biggest clothing exporting country worldwide, only after China. In 2018, almost 12% of its gross domestic product was in the clothing sector and exports accounted for 83%. In this sense, the country represents a major opportunity in terms of recycling textile waste and the transition to a circular economy.

This context gave rise to the Circular Fashion Partnership, a **cross-sectorial project led by Global Fashion Agenda** with project partners Reverse Resources and BGMEA (one of the country's employer association) to **accelerate the transition to a circular fashion industry**, by demonstrating a Circular Fashion Business Case in Bangladesh, in collaboration with P4G.

It is a project that **supports the development of the recycling industry** in Bangladesh, capturing and forwarding post-production fashion waste for the production of new fashion products and seeking solutions for the accumulation of any material.

Two of the Group's brands, **Bershka and Pull&Bear** participate in the recycling project in Bangladesh, involving their suppliers, together with other international brands, manufacturers and recyclers.

Make Fashion Circular

Make Fashion Circular brings together industry leaders with a common perspective that, for fashion, all materials (including biological materials such as wool or cotton) must first pass through the technical cycles of reuse, repair, reconstruction and recycling. A circular economy, increasingly based on renewable energy and materials, is based on three principles, all driven by design: eliminating waste and pollution, keeping products and materials in use, and regenerating natural systems.

Inditex joined the Make Fashion Circular initiative as a strategic partner since its foundation. In May 2017, Make Fashion Circular was launched as the Circular Fibers Initiative at the Copenhagen Fashion Summit. The purpose of the initiative is to **foster collaboration and promote the innovation necessary to progress towards a circular economy in the textile sector.**

Within the framework of Make Fashion Circular, Inditex has participated in developing a **common vision** of the circular economy for fashion that we have integrated into our strategy. The vision was created with the contribution of over 100 experts and aims to develop a common language for the fashion industry: Used more, Made to be made again and Made from safe and recycled or renewable inputs. Furthermore, Inditex has also taken part in preparing a first draft of the **Circular Design Guide for Fashion**, which is currently under review. With regard to this guide, we also collaborate in developing the Product Design Tool, the purpose of which is to provide responses on how to create a broad range of fashion products designed according to the Principles of the Circular Economy.

<p>Euratex recycling hubs</p>	<p><i>Euratex has set the goal of “turning the textile waste problem into an opportunity”, collecting textile waste and processing it in the European Union. To do so, it implements the commissioning of five hubs which will work in unison to process textile waste and circular materials in Europe.</i></p>
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Euratex is a European organization with headquarters in Brussels that represents the European textile and clothing industry, and its core goal is to **create an environment within the European Union that is conducive to the manufacture of textile and clothing products.**

Inditex has partnered with Euratex in **developing a proposal to create 5 hubs in Europe** to collect, process and recover textile waste. This proposal was submitted to the European Commission in November 2020 with the backing of Inditex, among others. In Spain, Inditex collaborates with the Spanish Intertextile Council to lay down the characteristics, needs and synergy network for the Spanish recycling hub, encompassed in the Euratex project.

<p>Keeping Workers in the Loop with BSR</p>	<p><i>This is a collaborative global project that seeks to map and explore the impacts on work, opportunities and quality in the transition to a circular economy model in the fashion industry, especially geared towards the United States, India and Europe.</i></p>
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Inditex actively participates in this project, backed by the Laudes Foundation and led by Business for Social Responsibility (BSR), in partnership with CMS – Social Impact Specialists and economists from the University of Lincoln, the **goals** of which are:

- Research into understanding how the switch to circular fashion could affect job opportunities and quality, as well as the different dynamics in the consumer and production communities.
- Developing future scenarios with project partners in order to explore how circular fashion impacts will be shaped by highly uncertain macro changes, such as automation and climate change.
- Cooperation in the creation of recommendations for fashion industry leaders, legislators and other key stakeholders in order to support and promote circular business models that offer decent, inclusive job opportunities and which are resilient to external disruption.

4. DEVELOP

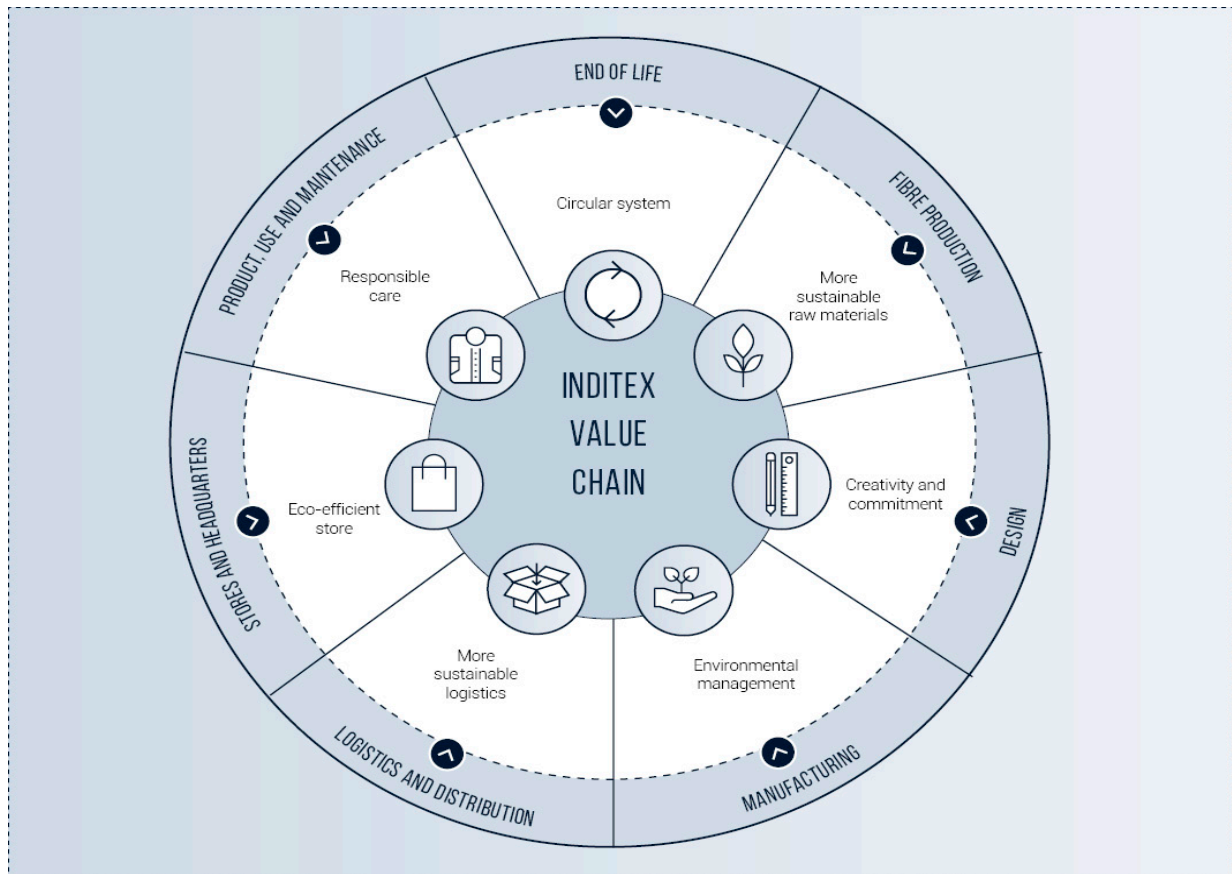
We understand this concept as doing everything that is expected from us: from promoting the reduction in resources used, to driving the decarbonization process beyond our value chain, increasing the use of more sustainable raw materials; protecting biodiversity and engaging in a sustainable management of the supply chain by way of different initiatives and enforcing exacting standards.

4.1 MINIMISING ENVIRONMENTAL IMPACT ACROSS THE VALUE CHAIN

Related material topics: Climate change; Environmental footprint minimisation; Protection of natural resources



The pressure on the planet's limited resources and the challenge posed by climate change require everyone's joint swift and coordinated action. At Inditex, we take **multidisciplinary measures** in order to **protect biodiversity and reduce our impact** on water consumption and the use of production and energy resources **throughout our value chain**, **circularity** being an essential means for advancing towards decarbonisation.



Given that half of the total greenhouse gases (hereinafter, GHG) and over 90% of the loss of biodiversity and water stress are due to the extraction and transformation of resources, we continue to advance in our strategy to reach an **economy that is climate-neutral, efficient in the use of resources and competitive**.

At Inditex, we are aligned with the goals of the **Paris Climate Agreement**, which are to limit the planet global warming to well below 2 °C and to pursue efforts to limit it to 1.5 °C.

Our **Sustainability Policy**⁴⁶, available on our website, includes, among other matters, the cross-cutting environmental commitments applied throughout our business areas and value chain.

Principles governing the Sustainability Policy in the field of environment

1. **Consideration of environmental and social variables**, in the planning and undertaking of its activities and those of its business partners and suppliers, fostering environmental awareness.
2. **Compliance with applicable environmental legislation**, as well as other obligations that may be laid down.
3. Environmental conservation by undertaking **ongoing improvement actions** (emissions, resource consumption, chemicals, waste, etc.).
4. **Identification of possible environmental risks** arising from its activity and prevention.
5. **Circulation of the Policy** among all employees and the companies comprising the Group.
6. **Setting up channels for fluid communication** with the authorities, local communities and other stakeholders.

Stemming from this Policy are our **three strategies** on environmental subjects (Energy, Water and Biodiversity) that express the efforts we make to seek to ensure the utmost protection of environmental resources:



Global Energy Strategy

Guidelines for promoting sustainable energy practices.

More information in section 4.1.2 Our approach to decarbonization of this Statement on Non-Financial Information.



Global Water Management Strategy

Guidelines and actions for promoting sustainable water management.

More information in section 4.1.3 Our approach to water management of this Statement on Non-Financial Information.



Biodiversity Strategy

Guidelines and actions for promoting the protection, conservation and development of biodiversity throughout the Inditex value chain.

More information in section 4.1.4 Our approach to biodiversity of this Statement on Non-Financial Information.

⁴⁶ More information in section “Our approach to sustainability” of this Statement on Non-Financial Information.

Besides such strategies, we are also committed to protecting forest products, as specifically addressed in our **Forest Product Policy**.

Forest Product Policy

Commitment to protect primary and endangered forests, establishing a guide for the selection and use of raw materials sourced from forests, guaranteeing that they come from sustainably managed forests.



The most efficient use of resources is not only a **maxim for our products** but also for **our facilities**: headquarters, stores and logistics centres. To implement it, we have established various objectives, such as the delinking of our energy consumption and of GHG emissions, the commitment to renewable energies and the efficiency of our shipments.

As part of the **Race to Zero campaign**, an initiative of the United Nations Framework Convention on Climate Change, Inditex is committed to achieving **climate neutrality by the year 2050**. This means that by then it must have net-zero GHG emissions or gases emitted into the atmosphere will be offset by those absorbed by natural sinks such as oceans and forests.

Furthermore, in 2020 we have continued to work within the framework of the **Science-Based Targets initiative (SBTi)**, which promotes setting science-based decarbonisation targets as a way of boosting the competitive advantage of companies in the transition to a low-carbon economy. The SBTi emerged as a partnership between CDP, the World Resources Institute (WRI), the World Wide Fund for Nature (WWF) and the United Nations Global Compact (UNGC). It is also one of the commitments of the We Mean Business Coalition.

In **August 2020, SBTi approved our science-based decarbonisation targets** (SBTs). SBTs are voluntary targets adopted by companies in order to reduce their greenhouse gas emissions. They are deemed to be "science-based" if they are aligned with the actions that the latest scientific research considers to be necessary to undertake in order to fulfil the goals of the Paris Agreement. Specifically, we have committed to:



A **90% reduction in our Scope 1 and 2 emissions by 2030** compared to 2018



A **20% reduction in our Scope 3 emissions** (in the Purchased Goods category), **by 2030** compared to 2018

SBTi has defined these targets as '**ambitious**', as the proposed reductions are more stringent than those marked by the most ambitious pathways for emission reductions available at present (1.5 °C for own operations and 2D or 2 °C for supply chain).

Training our teams is key to implementing our strategies and being able to progress towards achieving our goals. In 2020, we continued **training our teams on environmental sustainability** (*Seedtraining, Join Life Product, Zero Waste, Technical Product Training*, and the *(Take Back) Closing the Loop* programme, among others), at our headquarters, logistics centres, factories and our own stores, both in Spain (where the headquarters of Inditex are located) and in many other markets where the Company is present, such as China, Japan, Turkey, Uruguay, India, Mexico, Germany, Argentina, Brazil, Bangladesh, Australia, Colombia, Ecuador, the USA and Panama.

Overall, 28,972 employees have received training on environmental sustainability since 2014 (22,012 and 11,526 employees at the end of 2019 and 2018, respectively).

Besides training, **internal communication actions** have been conducted, which have addressed matters relating to sustainability and circularity, with some seeking to usher our employees to undertake sustainable practices at home (particularly given that we have undergone a period of household lockdown this year).

4.1.1 Commitment to external initiatives

In our commitment to stop climate change, not only do we use our own resources in order to implement ongoing improvement measures, but we also comply with **external initiatives** that enable us to share **best practices** and align ourselves with **more ambitious commitments**.

<p>Uniting Business and Governments to Recover Better by the United Nations</p>	<p>Inditex is one of over 150 companies involved in <i>Science Based Targets</i> that have signed a declaration in 2020 urging governments worldwide to align their recovery efforts to combat the crisis caused by COVID-19 and work on economic aid, using cutting-edge climate-related scientific developments.</p>
<p>Partnership for sustainable economic recovery</p>	<p>A partnership promoted by ECODES and the Spanish Group for Green Growth, among others, to advocate for economically and socially effective stimulus policies and, in turn, to ensure they are aligned with sustainability and biodiversity policies.</p>
<p>Business Ambition for 1.5°C by the United Nations</p>	<p>An urgent call to action by a global coalition of United Nations agencies, business and industry leaders to commit to setting ambitious science-based emission reduction targets.</p>
<p>Fashion Pact</p>	<p>We are founding members of the Fashion Pact, an initiative designed to drive environmental sustainability in the textile and fashion industries, mainly geared to stop climate change, protect the oceans and restore biodiversity. Moreover, the pact encourages the participation of member companies in other complementary industry initiatives, supporting the development of accelerators to help achieve the challenges ahead.</p>
<p>Fashion Industry Charter for Climate Action</p>	<p>A commitment backed by the United Nations Framework Convention on Climate Change that established an initial target for reducing greenhouse gas emissions by 30% by 2030, which is under review in order to align it with science-based targets. The signatories work by advocating for the steps for implementation through different task forces.</p>
<p>Sustainable Apparel Coalition (SAC)</p>	<p>With the purpose of accelerating the transition to a more sustainable and competitive industry, we work in several forums and organisations such as the <i>Sustainable Apparel Coalition</i>. We share our experiences and knowledge, collaborating in the creation of modules intended for impact measurement and fostering good practices used (e.g. the <i>Brand and Retail Module</i> and the <i>Facility Environmental Module</i>), we are involved in the European Union textile sectors' <i>Product</i></p>

	<i>Environmental Footprint</i> project and we actively collaborate in the <i>Policy Hub</i> to expedite the circular transformation of the industry.
CDP	For upwards of 15 years Inditex has participated in CDP, a non-profit organization running a global disclosure system for investors, companies, cities, states and regions on reporting related to environmental impacts (climate change, water management and forests). In 2020, Inditex's climate change programme has been acknowledged as level A- for its leadership in raising awareness on information and performance in the field.
MIT Climate and Sustainability Consortium (MCSC)	<p>Given the importance of establishing links between companies and scientists in order to accomplish effective changes to stop climate change, Inditex, along with another 12 companies, has joined the MIT Climate and Sustainability Consortium (MCSC). This alliance started out under the coordination of the Massachusetts Institute of Technology (MIT) School of Engineering, with the following goals, among others:</p> <ul style="list-style-type: none"> • To lower barriers and costs of access to the best-available environmental technologies and processes. • To encourage direct investment where it will be most effective. • To translate best practices to new sectors at a faster pace than the planet's intensifying climate crisis.

It is worth noting other initiatives that Inditex partners with, including the Ellen MacArthur Foundation, Textile Exchange, the United Nations Framework Convention on Climate Change, Better Work and Zero Discharge of Hazardous Chemicals (ZDHC).

4.1.2 Our approach to decarbonisation and energy management

Energy is a core element in the fashion sector, and its efficient use with a low environmental impact features in Inditex's **sustainability approach**. We are aware of the inherent value of energy resources and the need to access suitable solutions at all times to safeguard a stable and quality supply.

At Inditex, we believe that each of us plays a major part in achieving efficient energy consumption. Towards the start of the 1990s we developed our own **systems for optimising and improving energy consumption** and reducing greenhouse gas emissions at our headquarters, logistics centres, own stores and own factories. Since then, our commitment in this area has grown exponentially, as has our activity.

We continued to achieve progress in 2020, reaching a 52.10% reduction in consumption per € of sale in emissions pertaining to scopes 1 & 2 and promoting energies coming from clean sources: 81.08% of our global electricity consumption in 2020.



We have achieved that the 81.08% of the electricity consumption at our facilities (headquarters, logistics and stores) comes from renewable energy in 2020, achieving already our 2025 objective.

At Inditex, we work to preserve freshwater resources with programmes that help us curb our water consumption and manage the water we use responsibly. With the **Care for Water programme**, as part of Green to Wear 2.0⁴⁷, we drive the use of **more efficient production processes** and technologies that help us to curb water consumption and achieve excellent water consumption within our public standard.

The programme promotes the **ongoing improvement of our suppliers' processes** and investment in new technologies, enabling us to reduce the impact of our products to the stipulated limits. These limits are regularly reviewed and aligned with the **best techniques available** on the market, constantly increasing our ambition.

a) Global Energy Strategy

The **Global Energy Strategy** is one of the cornerstones of our commitment to environmental sustainability for promoting the rational and efficient use of energy throughout the entire value chain, while at the same time reducing GHG emissions and helping to mitigate the risks associated with climate change – for example, the availability and price of cotton, one of the essential raw materials. To this end, renewable energy sources are being incorporated into all processes at our facilities and, since 2009 we have been developing the eco-efficient store programme, which was completed in 2020.

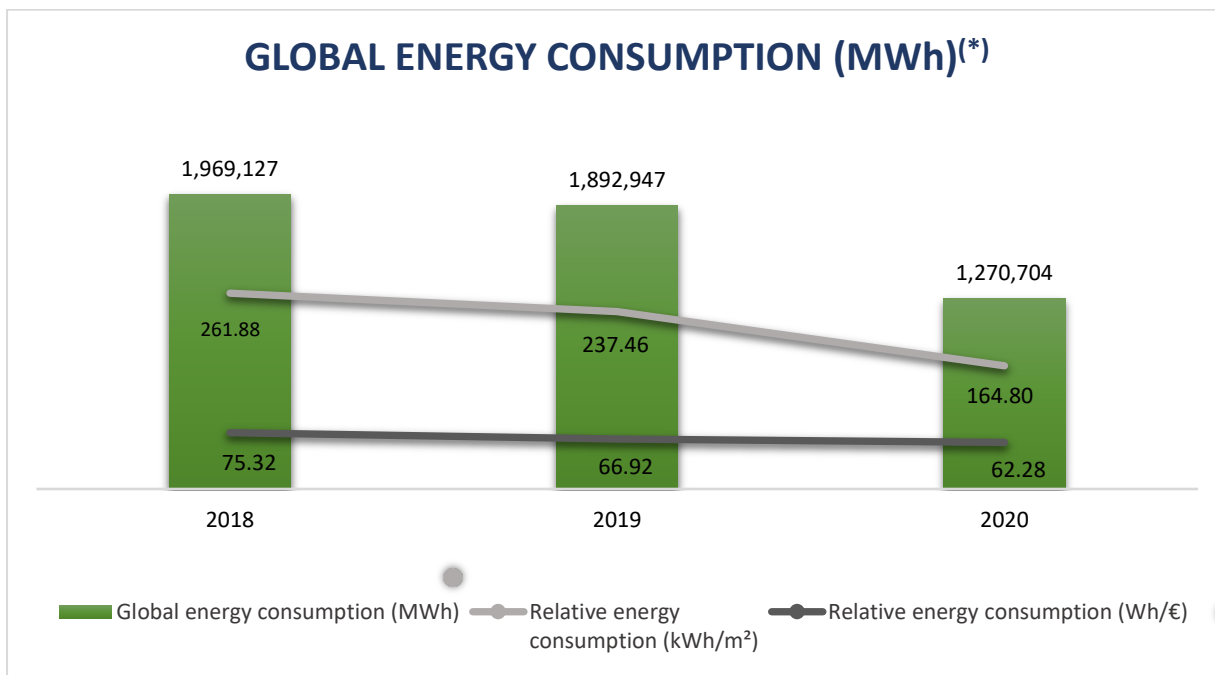
b) Global energy consumption

During 2020, the **global energy consumption** of all Group headquarters, own factories, logistics centres and own stores has amounted to a total of 1,270,704 MWh⁴⁸ (1,892,947 and 1,969,127 MWh in 2019 and 2018, respectively). We have been able to reduce 6.93% our global relative energy consumption per € of sale, compared to the previous year

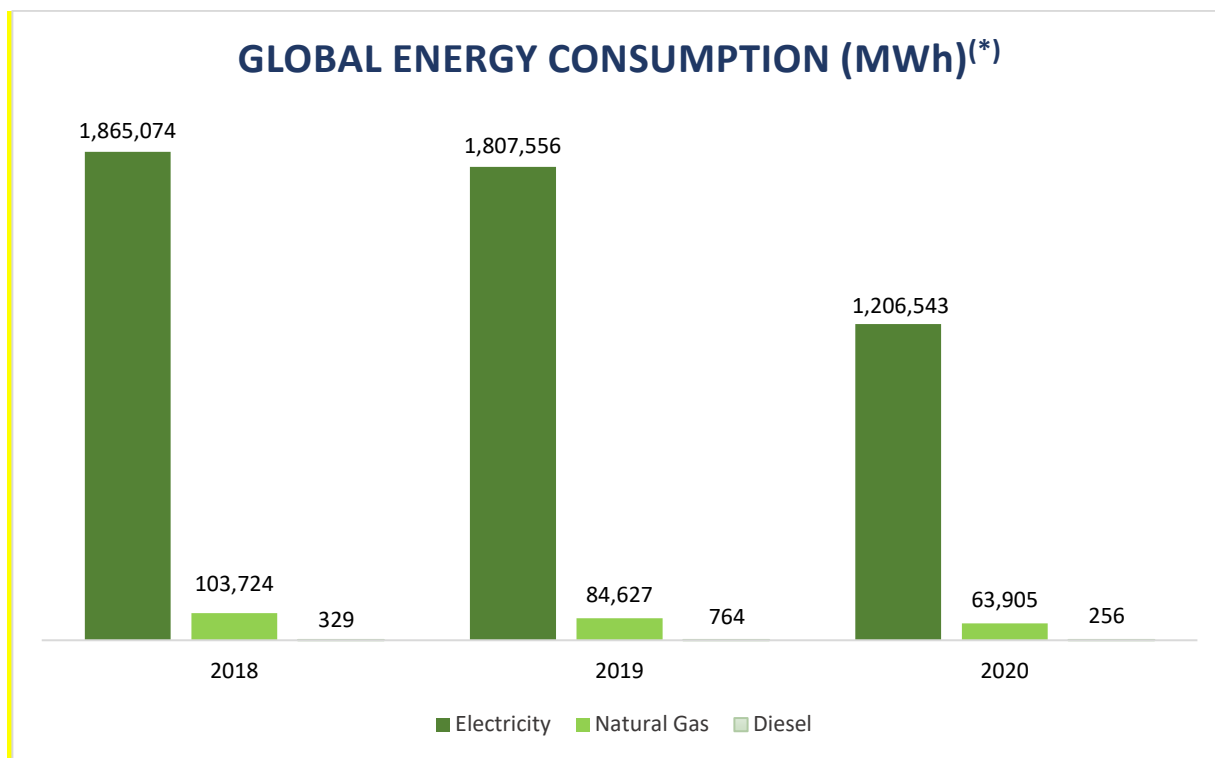
The **energy efficiency measures** implemented most notably include connecting our stores to the Inergy platform, which allows us to monitor all of them in order to ensure optimisation of energy consumption and therefore greater efficiency in energy use as well as a reduction of the environmental impact, or installing more efficient class-A air conditioning systems in existing stores.

⁴⁷ More information in section 4.3.2 (b) “*Policies, standards and principles on which we base our supply chain management*” of this Statement on Non-Financial Information”.

⁴⁸The electricity consumption in stores has been calculated on the basis of actual data on the central monitoring platform. In order to estimate average consumption, the data from 2,017 stores has been used, 100% of which are eco-efficient.



(*) This indicator records all the energy consumed at our Group's own factories, headquarters, logistics centres and own stores. Electricity consumption for December 2020 and January 2021 has been estimated for some centres.



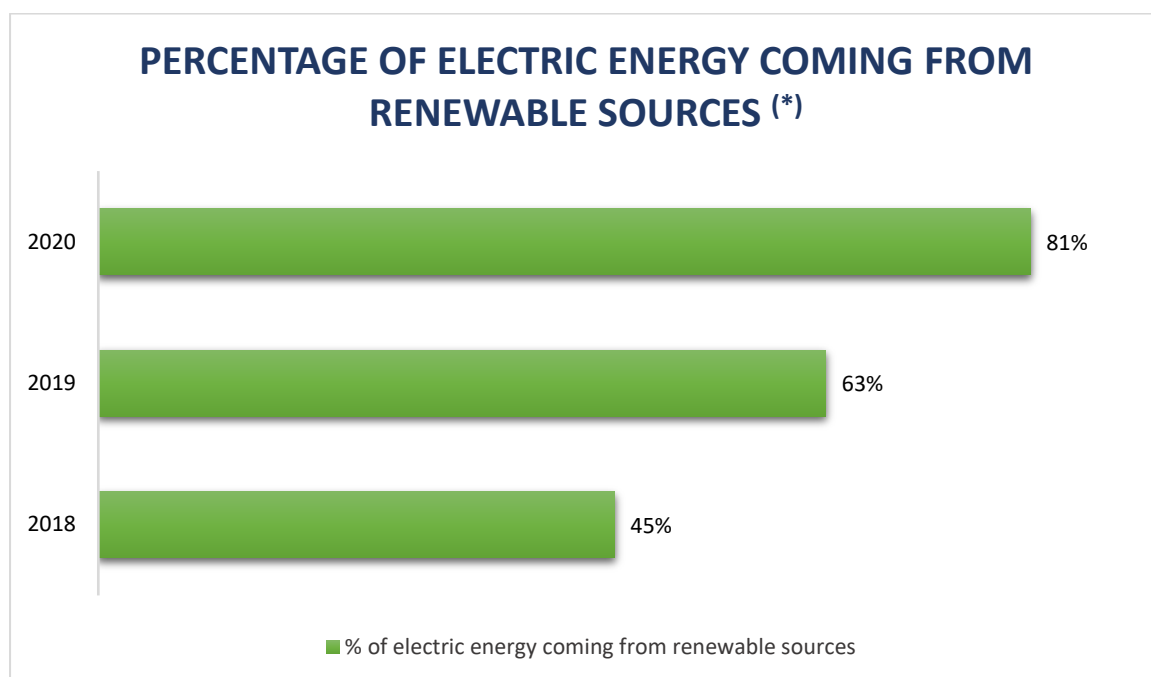
(*) Electricity consumption for December 2020 and January 2021 has been estimated for some centres.

The energy used comes mainly from the supply network and, to a lesser extent, from the consumption of natural gas and diesel.

c) Major commitment to renewable energies

Our commitment to renewable energies continues to be strong, through the generation and the purchase of energy from renewable sources. We invest in our own renewable energy generation facilities when it is technically viable, which has led us to having thermal solar, photovoltaic and wind energy facilities, as well as facilities that make use of geothermal energy.

In 2020, **81.08% of the Group’s electricity needs were covered by energy from renewable sources**. This represents a total sustainable energy consumption of 978,266 MWh in our facilities located in Spain, Germany, Austria, Belgium, Brazil, China, South Korea, Croatia, United States, France, Greece, Italy, Ireland, Mexico, Luxembourg, Norway, Netherlands, Poland, Portugal, United Kingdom, Sweden, Switzerland and Turkey, thus avoiding the emission of over 363,182 tons of GHG⁴⁹ emissions (1,144,020 MWh and 415,474 tons, and 837,626 MWh and 274,554 tons in 2019 and 2018, respectively).



(*) In the case of renewable energy certificates, the data period is calendar year rather than fiscal year (which is the reference period established in this report)

At year-end, we have several active plants with photovoltaic panels with the following installed capacities: 3 MW in Lelystad, 1 MW in the employee car park at our Arteixo Central Services facilities and 100 kW at the Arteixo Technology Building, 200 kW in the Tempe 3 centre, 200 kW in the Tempe 3S centre and 100 kW in the Laracha fabric warehouse. In 2020, they generated 1,373 MWh of electricity (811 in 2019; 575 in 2018).

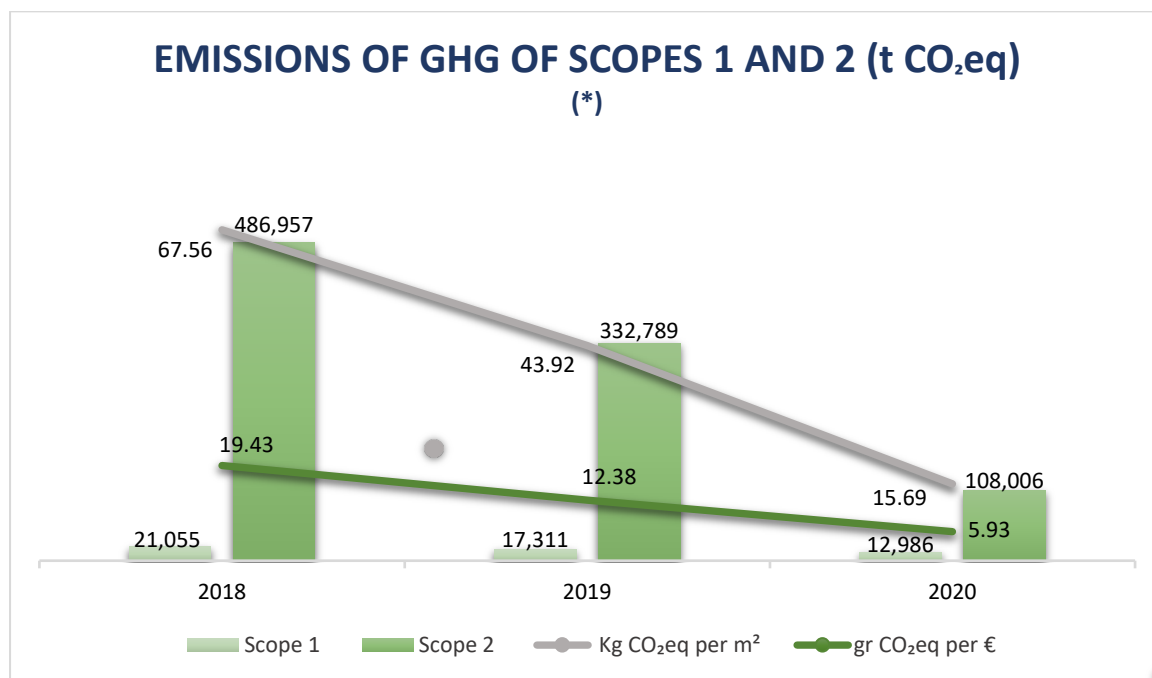
At some of our facilities we also have **co-generation plants**, which enable the simultaneous production of heat and energy using low-carbon fuel. During 2020, a total of 4,334 MWh of electrical energy and 6,679 MWh of thermal energy were generated by these plants (7,785 MWh of electricity and 11,002 MWh thermal and 17,317 MWh of electricity and 16,634 MWh thermal in 2019 and 2018, respectively).

⁴⁹ The emission factors applied to the energy mix of each of the countries come from the GHG Protocol Tool for Purchased Electricity, Version 4.9 of the World Resources Institute, 2017.

In addition, in 2020 a total of 633 MWh of thermal energy has been generated from renewable installations using **geothermics** and **solar panels** (577 MWh and 329 MWh in 2019 and 2018, respectively).

d) Greenhouse gas emissions

Overall, all the actions that have been implemented to foster energy efficiency, together with the materialisation of our commitment to renewable energies, have allowed us to achieve a 52.10% reduction in consumption per € of sale in emissions related to Scopes 1 and 2.



(*) Scope 2 data is calculated using the market-based method following the GHG Protocol guide for calculating Scope 2, World Resources Institute (WRI), 2015. Due to the emission factors used, the data provided coincides with the data calculated by the located-based method.

Scope 1 emissions correspond to direct emissions related to sources under the direct control of the Inditex Group (combustion in boilers, vehicles, etc.) and also include fugitive emissions (leaks in air conditioning equipment). **Scope 2 emissions** are indirect emissions related to the generation of electricity acquired and consumed by the Inditex Group.

Scope 3 emissions correspond to other indirect emissions associated with the production chain of goods and services produced, distributed and marketed outside the organisation.

	2020 (T CO ₂ -eq)	2019 (T CO ₂ -eq)	2018 (T CO ₂ -eq)
SCOPE 3 - BUSINESS TRAVEL	4,246	47,228	49,425
SCOPE 3 - FRANCHISES	80,440	122,671	129,710
SCOPE 3 - UPSTREAM (INBOUND)	616,125	754,040	676,642
SCOPE 3 - UPSTREAM (OUTBOUND)	700,451	936,462	926,764

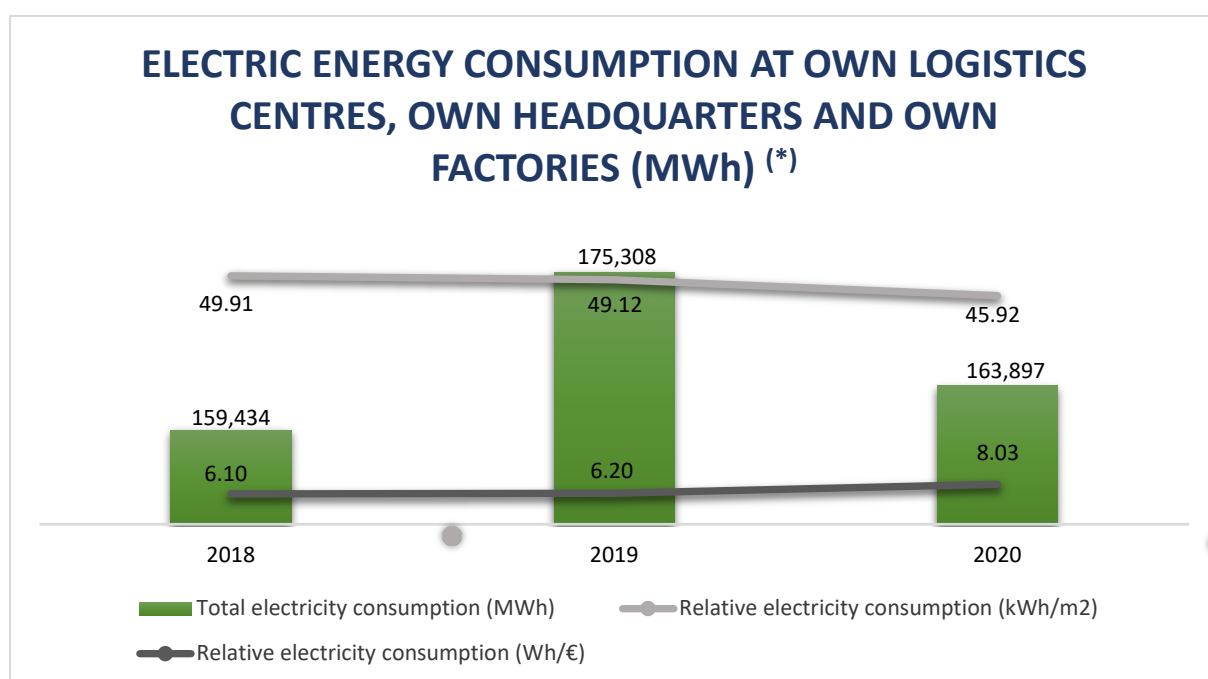
The indicators described on scope 3 on emissions have been affected due to the closure of our stores and headquarters for several months throughout the year, as well as by the promotion of remote working, due to the COVID-19 health crisis.

e) Energy Management

The commitment to clean energies and the implementation of circular management models at our headquarters and logistics centres are the cornerstones of our Environmental Management System.

- **Efficiency in own logistics centres, own factories and headquarters**

Eco-efficiency is a priority in all Group facilities; therefore, significant investments are being made in this area in order to meet the standards set out in the **Instruction for Proper Environmental Management**, thus ensuring that all our facilities and platforms are eco-efficient. The daily management of eco-efficiency promotes good practices between our employees, which allows obtaining control of the consumption of resources and applying measures to reduce that consumption.



(*) In December 2020 and January 2021 consumption has been estimated for some centres.

- **LEED Certification in distribution centres and facilities**

In order to ensure that our facilities meet the most cutting-edge requirements in terms of sustainable construction, since 2009 we have been certifying our more emblematic facilities under the **most prestigious standards in sustainable construction**⁵⁰.

1 <i>LEED Platinum Certification</i>	9 <i>LEED Gold Certifications</i>	1 <i>LEED Certification CI Certified</i>
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⁵⁰ All certifications are currently valid

<i>LEED Platinum</i> Certification	Inditex Data Processing Centre in Arteixo
<i>LEED Gold</i> Certification	New headquarters of the Inditex Group's Central Services in Arteixo Zara Logistics offices Zara Logistics canteen Pull&Bear headquarters Cabanillas logistics platform Massimo Dutti headquarters Massimo Dutti logistics centre Oysho headquarters Stradivarius headquarters
<i>LEED CI Certified</i> Certification	Inditex Group's Central Services facilities in Arteixo (phases I, II, III)

In addition, in 2020 the ISO 50001 standard was maintained at the Inditex Data Processing Centre in Arteixo, certifying its energy management and more sustainable and efficient energy use.

- **Environmental Management System**

The commitment to **clean energy** and the implementation of **circular management models** in our headquarters and logistics centres are the cornerstones of our Environmental Management System ("EMS"), which is certified under the **ISO 14001 international standard**. In 2020, we obtained the abovementioned certification for the textile warehouse (in A Laracha, Spain) and for the Lelystad Logistics Platform (Netherlands), which have been operational since year 2019.

Thus, **the EMS is implemented in all logistic centres, headquarters and Company-owned factories**. We have a 27-people team (25 in 2019 and 2018) responsible for monitoring and assessing the appropriate implementation of the EMS and the prevention of environmental risks associated with these centres.

During 2020 and 2019, the Inditex Group has not been charged through available channels any significant penalty or sanction for non-compliance with environmental laws and has no facilities located in protected areas.

- **Enterprise Risk Management Policy**

Meanwhile, our Enterprise Risk Management Policy **sets the basic principles, key risk factors and the general framework of action for the management of the risks affecting the Group**. This Policy was approved by the Board of Directors in the meeting held on 9 December 2015 and was subsequently amended on 14 December 2020. The scope of application of this Policy extends to the entire Group and forms the basis of an Integrated Risk Management System. Within the context of the Risk Management and Control Policy, the business units constitute the first line of defence in the management and control of the different risks to which the Group is exposed, including those of a climate-related nature.

Bearing our business activity in mind, the Group has no **liabilities, expenses, assets, provisions or contingencies of an environmental nature** that could play a significant role in terms of the net assets, the financial situation and results of the Company. For this reason, such specific breakdowns are not included in this statement.

- **Sustainable offices**

Our offices are an extension of our philosophy: think and act responsibly and sustainably to generate shared value and to advance towards a circular economy.

At Inditex, we have a Manual of Good Environmental Practices at the Office for guiding responsible behaviour at our offices. It is an invitation to all personnel of the Group to mark the difference at their job position in different areas (energy and climate change, water, biodiversity and materials, and waste) with small daily gestures.

- **360° Restaurant**

Inditex has 4 canteens that follow the 360° restaurant philosophy.

These canteens served over 2,800 daily meals, with an average of 74% purchased according to KM 0 (the ingredients are sourced within a radius of under 100 km away from the consumer) which encourages the use of local varieties and breeds, ensures sustainable management of water and land and reduces the carbon footprint and impact on climate (4,000 meals and 65% KM 0 purchase in 2019 and 1,700 meals and 65% KM 0 purchase in 2018, respectively).

- **Eco-efficient stores**

Eco-efficiency is a priority upon designing our stores, with the goal of **optimising the consumption and emissions of our establishments** at all stages of their life cycle, including their design, construction and operation. To achieve this, we rely on the Eco-efficient Store Manual, which seeks to ensure that its efficiency and sustainability requirements are fulfilled. Such Manual defines the technical requirements for the different installations and systems of all the stores, as well as the operations to be carried out.

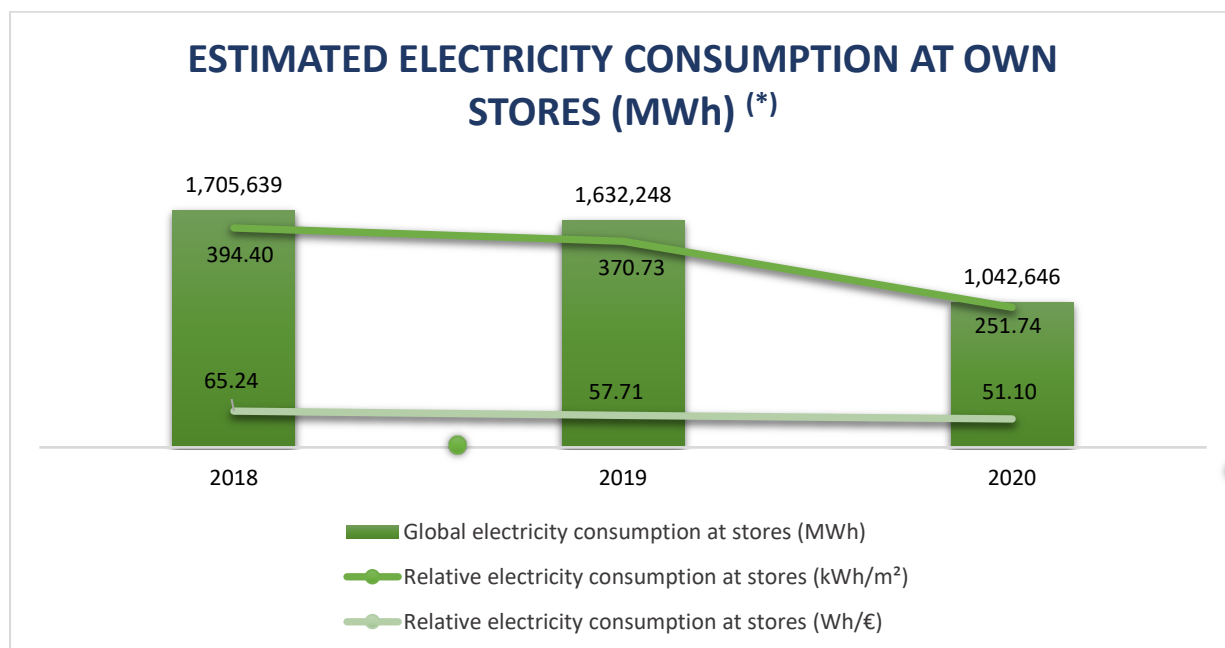
Inditex ends 2020 ensuring that 100% of its stores are eco-efficient (92.67% in 2019; 85.68% in 2018).

The stores that have been added this year notably include:

- **Zara Wangfujing in Beijing**, Asia's biggest, spanning more than 3,500 m²
- The new **Stradivarius flagship store in Mexico**
- The **Pull&Bear flagship store in Bilbao**

Thanks to the technology of stores and their high connectivity with the **Inergy central platform**, at the end of 2020, 60% of our own stores have this platform (56% and 50% of the stores at the end of 2019 and 2018, respectively). Inergy enables **connected stores to be overseen** in order to ensure **optimisation of energy consumption** and therefore greater efficiency in energy use as well as a **reduction of the environmental impact**.

The **estimated power consumption in own stores** has decreased to 1,042,646 MWh in 2020 (1,632,248 MWh and 1,705,639 MWh in 2019 and 2018, respectively). It is worth highlighting that the abovementioned energy indicators have also been affected by the closure of our stores and headquarters for several months of the year due to the health crisis arising from COVID-19.



(*) The electricity consumption in stores has been calculated on the basis of actual data on the central monitoring platform. In order to estimate average consumption, the data from 2,017 stores has been used, 100% of which are eco-efficient.

Similarly, the **certification of several company properties** under international sustainable construction standards, such as LEED and BREEAM⁵¹, are also an example of our commitment to the improvement of our environmental development.



In the **digital field**, we are working to make the **Zara.com online store** an **eco-efficient website**.

Our main **Technology Centre** is located at our Central Services offices in Arteixo (Galicia). This centre consumes energy that is 100% from renewable sources, and it is **certified as LEED Platinum** by the U.S. organisation Green Building Council.

- **Efficiency in transport and distribution**

The efficiency of our network of logistics centres is a determining factor for us to be able ship our products to stores twice per week. Moreover, at Inditex we understand that the optimum management of transport and packaging is key to making more efficient use of resources, thereby reducing the emissions associated with our processes. In this regard, we believe that the commitment to sustainability and efficiency also has a positive impact on the business.

⁵¹ All certifications are currently valid

With the aim of improving the efficiency associated with our distribution and logistics operations and of reducing ensuing Scope 3 indirect emissions, the Group has conducted a number of initiatives, notably including:

Packaging	Optimised packing and packaging and increased multimodal transport in certain flows.
Load optimisation	Improved box-packing controls thanks to the introduction of new protocols for load optimisation, revision and adjustment.
	Truck load optimisation to further reduce the number of vehicles (1,600 less in 2020) along European road routes (2,000 and 1,480 in 2019 and 2018, respectively). This has brought savings of 2,720,000 km and associated emissions (3,400,000 and 2,500,000 km in 2019 and 2018, respectively).
	In order to leverage the flows along the routes servicing the European stores and, in an effort to avoid empty return truck runs, we use these trucks for goods returns to Spain. In 2020, we have used 4,000 return truck runs, resulting in savings of 6,800,000 km and associated emissions (5,400 trucks and 9,200,000 km in 2019; 5,163 trucks and 9,000,000 km in 2018).
Liquefied Natural Gas trailer	Use of a LNG trailer on routes when it is permitted, thus travelling over 311,000 km carrying Group goods in 2020 (540,000 km and 410,000 km in 2019 and 2018, respectively). We have brought in a new unit for flows to and from our Distribution Centre in Lelystad, the Netherlands; making 2 trips per week. The drop in kilometres travelled is due to the occurrence of the health crisis arising from COVID-19.
Electric cars	Use of a last-mile electric vehicle in China for delivery to stores. Thus we have implemented this initiative at all the country's stores, reducing greenhouse gas emissions and air pollution in cities.
High-capacity Vehicles	Increased number of routes using our high-capacity vehicles, such as the giga-trailer, which provides an increase on the load volume of regular trucks, thus reducing CO ₂ emissions. A flow has also been added to those currently implemented, with one of our transport providers for the transport of containers through the port of Algeciras, being the first duo-trailer container carrier recorded in Spain. In 2020, more than 1,220,000 kilometres have been covered using these modes of transport.
Global Emissions Council (GLEC)	Logistics Council Inditex is part of the GLEC in 2020, a universally recognised global method for harmonised calculation and notification and reporting on the greenhouse gas footprint of logistics across the multimodal supply chain.
Clean Cargo	We joined this initiative in 2020 with the aim of curbing the environmental impacts of worldwide freight transport and to fostering responsible ocean freight. There is collaboration, within the <i>Clean Cargo Working Group</i> , between companies dedicated to integrating environmental and socially responsible business principles into transport management. Its CO ₂ emission calculation methodology is the shipping standard used by other initiatives,

	such as the US Environmental Protection Agency (EPA) <i>SmartWay</i> Programme and the Global Logistics Emissions Council (GLEC).
Smart Freight Center	It is a non-profit organisation dedicated to sustainable transport. Its vision is to achieve an efficient global logistics sector and zero emissions, that contributes to the goals of the Paris Agreement on climate action and the Sustainable Development Goals. To achieve this vision, they bring together the global logistics community through their <i>Global Logistics Emissions Council</i> (GLEC).



Minimising **Scope 3 greenhouse gas emissions in travel** is also one of our priorities

Along these lines, we continue **to use the shuttle bus** at Inditex Central Services (Arteixo), which follows on from the headquarters of Pull&Bear (Narón), Tordera and Stradivarius (Sallent) last year. We also continued the **WESHARE application**, an initiative launched in 2019 for carpooling to the workplace. These measures reduce traffic density and driving times in daily trips.

Similarly, in 2020, the number of **charging points for electric vehicles** in all Group central services rose by 150%, thus encouraging use of such vehicles among employees. During 2020, over 71,000 kWh⁵² have been dispensed from electrical vehicle charging stations (over 47,000 kWh in 2019), preventing the generation of emissions associated with the use of fossil fuels.

- **Atmospheric emissions and noise pollution**

Our logistics centres meet the requirements of applicable legislation on **control of atmospheric emissions** from combustion equipment. Authorised control bodies carry out **regular verifications and checks** of the limit values of emissions generated by the combustion equipment (heating boilers and steam boilers) subject to control according to the legislation in force. Such regular controls verify **compliance with the emission limit values** for the parameters applicable to each case (for example: CO, NO_x, SO₂ or opacity).

In addition, **the night-time distribution model** includes the product supply to the stores at night, when noise pollution levels are more restrictive than in the daytime. Moreover, we have developed an **Unloading Equipment Protocol** calling for reduction of noise during unloading operations.

4.1.3 Our approach to water management

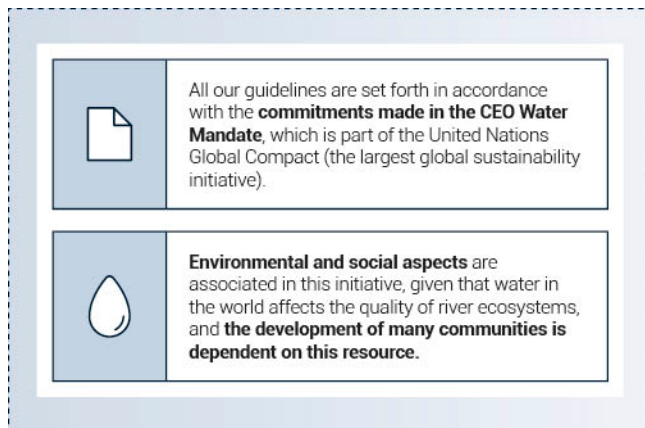
Water is **one of the most valuable resources** to safeguard the sustainability of the planet and of those of us who inhabit it. We are aware of its vital importance to life and to almost all human activities, while at the same time we are mindful of its **fragility and scarcity** in suitable conditions to meet the needs of many people and ecosystems worldwide.

Our supply chain uses water in the **farming of cotton and other fibres**, as well as in the **wet processes to manufacture garments** (washing, dyeing, and printing). Therefore, we devote major efforts to guaranteeing the **compliance, improvement and strengthening of the environmental commitments** of our supply chain.

⁵² Electrical consumption by electrical vehicle charging points in Group Central Services facilities, own logistics centres and own factories. The January-2021 consumption has been estimated for some centres

a) Global Water Management Strategy

The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards sustainable and rational water management throughout our value chain.



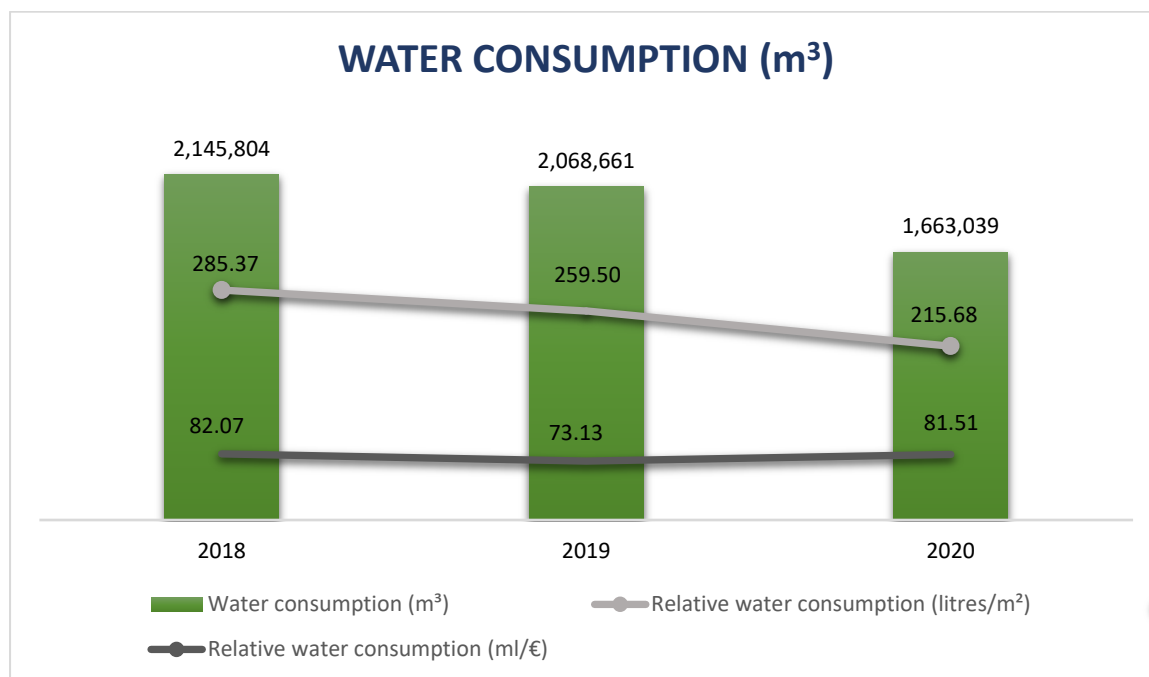
We are always in search of **innovative processes for responsible and sustainable water use** that enable us to be more efficient, while curbing our environmental impact and protecting marine and freshwater habitats.

b) Consumption

With our activity, we have consumed a total of 1,663,039 m³ of water at our corporate headquarters, own factories, logistics centres and own stores⁵³. We calculate this consumption through direct meter readings and bill charges from public water utilities companies (2,068,661 m³ and 2,145,804 m³ of water in 2019 and 2018, respectively). It is worth highlighting that the water consumption indicators have also been affected by the closure of our stores and headquarters for several months of the year due to the health crisis arising from COVID-19. In 2020, we have reduced by 16.89% our relative water consumption per m² in our corporate headquarters, own factories, logistics centres and own stores, compared to the previous year.

The largest consumption of water in our facilities corresponds to domestic use, namely cleaning and toilets, ensuring discharge through municipal wastewater systems. In industrial processes water is mainly used to generate steam and for closed-circuit cooling systems, which use recirculation systems. As the cooling systems are closed-circuit systems, the amount of water discharged can be estimated to be the same as the water used. Wastewater in all facilities is discharged to the appropriate wastewater systems. At Inditex, water consumption does not affect protected habitats.

⁵³ The consumption by own stores has been calculated based on the net expenditure per store. The specific average price of 20 markets has been used. For all other markets, we have used the average of m³/m² per brand.



c) Initiatives in own operations

In order to reduce our water usage and improve reuse, we have installed **storm tanks to collect roof rainwater for irrigation, road cleaning and other services.**

The Indipunt facility at Narón features advanced technology that enables 100% of water to be reused for irrigation of gardens and toilet systems, resulting in significant savings in water usage for the Indipunt facility. This water recovery project is the first project of its kind approved in Galicia, after having successfully passed the strict control procedures established by the Public Administration.

d) Initiatives in the supply chain

- **Collaboration with ZDHC and the Chinese Institute of Public and Environmental Affairs (IPE)**

Along with ZDHC (Zero Discharge of Hazardous Chemicals) and other retailers, Inditex seeks to **change the approach** of the textile industry and lay down the foundations for **sustainable management of chemical substances**. We collaborate with our suppliers to disclose the results of wastewater analyses obtained from the Green to Wear⁵⁴ assessments on the ZDHC Gateway platform.

It is worth highlighting our collaboration with the **Chinese Institute of Public and Environmental Affairs (IPE)** in the improvement of environmental management in the China supply chain and the disclosure of the results of wastewater analyses on the IPE website. In addition, at Inditex we have invested more effort in the environmental management of the supply chain beyond textile facilities, having included upstream suppliers such as chemical product suppliers and centralised effluent treatment plants.

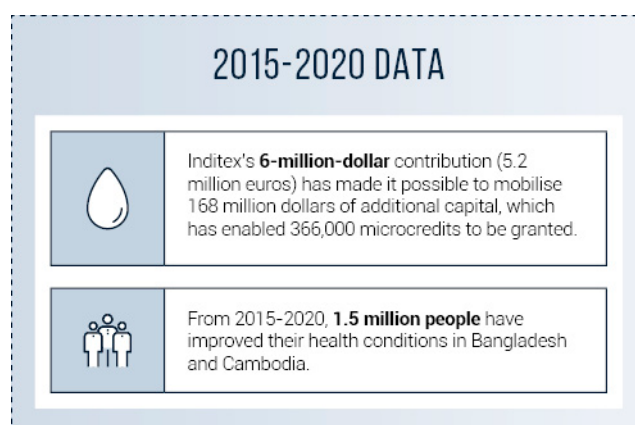
In 2020, the **IPE** ranked Inditex in the **Top 4 out of 582 brands, in the Top 3 of the textile sector** in its **Corporate Information Transparency Index (CITI)**.

⁵⁴ More information on section in section 4.3.3 "Assessment and continuous improvement", subsection c) of this Statement on Non-Financial Information.

- **Other partnerships**

Water is a fundamental resource for the textile industry, and we are committed to responsible water consumption. Ensuring that drinking water is available in the communities is critical for social development and economic strength, as well as for health and safety.

In light thereof, since 2015 we have worked with *Water.org*⁵⁵ to improve access to drinking water and sanitation for low-income populations. In 2020, we have signed a new four-year agreement, endowed with 6 million dollars (5.2 million euros), for the development of the program *Empowering women and families with access to water and sanitation*. Under this program, access to safe water and sanitation will be provided to more than 2.3 million vulnerable people in Bangladesh, Cambodia and India.



The **aim of the programme** is to **increase access to drinking water and sanitation** through provision of micro-credits to women in developing countries.

Likewise, the program foresees the investigation of new global initiatives to help combat the water crisis.

4.1.4 Our approach to biodiversity

At Inditex we are committed to the protection and development of biodiversity through the responsible and sustainable management of natural resources.

Our Biodiversity strategy is founded on the principles of the United Nations Convention on Biological Diversity. Its core goal is to protect biodiversity at all levels of our activity and to serve as a guide for our business decisions to meet ethical and environmental criteria.

a) **Biodiversity-related initiatives**

Our work in the field of biodiversity is closely related with our actions to reduce energy consumption and improve water quality⁵⁶.

⁵⁵ More information on section 5.2.4 Key Pojects of this Statement on Non-Financial Information.

⁵⁶ More information in section 4.1.2 Our approach to decarbonization and 4.1.3 Our approach to water management of this Statement on Non-Financial Information.

Thus, we pay special attention to the raw materials⁵⁷ we choose to make our products, as these decisions have a direct impact on biodiversity.

Furthermore, as part of our Biodiversity Strategy and our Forest Product Policy, which was approved in March 2014, we take part in various initiatives related to forest conservation in partnership with several institutions.

<p>Partnership with the Xunta de Galicia and the Forestry Research Centre of Lourizán</p>	<p>As part of our forestry strategy, we collaborate in the programme of genetic improvement of the main forest species in Galicia.</p>
<p>Pico Sacro demonstration forest</p>	<p>We continue our work to allow the Pico Sacro demonstration forest to be used as a model of a biological carbon sink, and for use as a forestry laboratory to disseminate the results of the project, supporting Galician foresters by transferring the findings obtained from the project and defining and publishing environmental indicators for forestry and CO₂ absorption, in partnership with the <i>Forest Stewardship Council (FSC)</i> in Spain and the Forestry Association of Galicia. The main activities carried out notably include:</p> <ul style="list-style-type: none"> • Training on pruning and treatments of broad-leaf trees. • Video tutorials on pruning broad-leaf and needle-leaf trees. • Improved cherry plantations. • Pruning of American oak, walnut and chestnut trees. • Clearing and weeding the planting surface to remove competing plants. • Maintenance tasks and replacing native dead plants in conservation areas. <p>With the new plantings, as at 31 January 2021, CO₂ absorption by trees is estimated to reach the figure of 730 tons⁵⁸ over the next 30 years (683 tons at 30 January 2020).</p> <p>Furthermore, the Demonstration Forest has the FSC certificate for ecosystem services for carbon and biodiversity, the first SLIMF (Small and Low Intensity Managed Forest) in Spain to achieve this.</p>
<p>Forestry Association of Galicia</p>	<p>In 2020, Inditex signed an agreement with the Forestry Association of Galicia for the environmental restoration of forest areas that have been affected by forest fires, have degenerated or have been severely damaged by natural disasters and on which action is necessary in order to prevent them from being abandoned.</p> <p>Restoration tasks will be performed in order to:</p> <ul style="list-style-type: none"> • Prevent erosion and maintain the fertility of soil; • Improve efficiency in the use of the water resources in the area to be restored and ensure efficient water distribution in the restoration area, adapting the technical elements, infrastructure and actions taken on the soil in order to improve the availability of water;

⁵⁷ More information in section 4.2.2 (b) Election of raw materials of this Statement on Non-Financial Information.

⁵⁸ Based on the ex ante carbon dioxide absorption calculator of Spanish tree forest species recommended by the Spanish Climate Change Office.

	<ul style="list-style-type: none">• Optimise the CO₂ absorption capacity of trees introduced in the areas under restoration;• Preserve the existing biodiversity in the area of intervention;• Consider the connectivity and recovery of wildlife mobility;• Consider the risk of pests and diseases;• Plan according to forest fire risk factors.
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b) Animal welfare

Inditex has an Animal Welfare Policy that includes ethical standards in the use of animal-based products, pursuant to the Five Freedoms of animal welfare for the ethical and responsible treatment of animals, and it has been developed in partnership with the Humane Society of the United States (HSUS).

All animal-based components in items marketed by our brands must be sourced from ethically and responsibly treated animals. We do not use leather or products originating from animals exclusively slaughtered to sell their leather, shells, horns, bones, feather, down, or any other material, or cosmetics tested on animals.

In this respect, and in line with our commitments to organisations such as PETA and the Fur Free Alliance, we do not market any products with Angora wool, we eliminated mohair in the 2020 spring–summer campaign and we do not use fur.

4.2 SUSTAINABILITY OF OUR PRODUCTS

Related material topics: Product sustainability, Environmental footprint minimisation; Protection of natural resources; Stakeholder engagement



4.2.1 Design

Placing a new garment on the market involves a design process and a manufacturing process. **Inspiration** and **creativity** are essential to design. For Inditex, the **choice of different raw materials** to manufacture an item and to improve its life cycle, either by providing greater **durability** or by facilitating its **recyclability**, have a major bearing on the design process.

Training

Circularity means, particularly at the design stage, **designing in order to reduce waste at each stage of a product's development and life cycle, extending a product's life cycle** by allowing a better supply of materials and a customised choice of materials, **facilitating the product's care and repair**, while providing greater **opportunities for reuse and recycling**, guaranteeing that garments are designed by taking into account their complete life cycle.

Along these lines, we have a **training programme** to help our designers integrate further circularity into their daily tasks. This training features different **modules**:

- Approach to sustainability
- Sustainable raw materials
- Sustainable wet processes
- Traceability tools and corporate systems
- Circular design by garment type



In 2020 we conducted scheduled training to ensure that 100% of our designers have been trained in the **Principles of the Circular Economy**, in line with the commitment we made to the Global Fashion Agenda.



In 2020 we have fulfilled our commitment to **train all the Group's designers** in the **Principles of the Circular Economy**.

4.2.2 Selection of materials

The selection of materials is a core element of the design process. In line with the principles of our Sustainability Policy and our Sustainability Roadmap, one of our priorities is to champion the use of more sustainable fibres that have a better environmental performance and involve more efficient consumption of resources.

Furthermore, our Biodiversity Strategy, which is based on the principles of the United Nations Convention on Biological Diversity, and the Forest Product Policy includes our commitment to forest ecosystem and

nature conservation. We thus pay special attention to the raw materials we choose to make our products, as these decisions have a direct impact on biodiversity and the use of natural resources.



At Inditex, we are committed to ensuring **100% of the cotton, polyester and linen** used in our products will be **recycled or will come from more sustainable sources** by **2025**.

This year, we have continued to work to:

- **Increase the use of sustainable raw materials**, such as sustainable cotton and recycled fibres.
- **Training our supply chain** to manage their resources responsibly.
- Using sustainable sources in our **wooden furniture** and **paper products**.

Our commitment in this area has enabled us to achieve the following results of tons of sustainable raw materials used for the garments made available for sale, with goals for 2025.

	2020	2019	
Raw material	Tons	Tons	Variation (%)
More sustainable cotton (organic, BCI & recycled)	73,874	38,676	91.0%
Recycled polyester	9,594	5,332	79.9%
Sustainable linen	1,245	1,813	-31.3%
Sustainable viscose	8,379	6,692	25.2%

	2019	2018	
Raw material	Tons	Tons	Variation (%)
Sustainable cotton (organic, BCI & recycled)	38,676	18,851	105.2%
Recycled polyester	5,332	1,881	183.4%
Sustainable linen	1,813	266	580.9%
Sustainable viscose	6,692	3,178	110.6%

The consumption of more sustainable raw materials represents 21.3% of the total consumption of raw materials in 2020.

a) Innovation

In order to advance in compliance with the goals set, during 2020 we have continued to foster **innovation in the development of new materials and technologies to improve the sustainability of the textile fibres used**, focusing both on optimising the consumption of virgin materials and their subsequent recycling.

This year we have continued to promote **various lines of collaboration**, both with renowned academic institutions, as well as with local and international organisations, in the interest of advancing the sustainable development of the materials we use in our value chain.

Sustainability Innovation Hub

Innovation is present from the very first moment our products are conceptualised, with special emphasis on the search for and continuous development of new raw materials and more sustainable fibres. In this respect, we have launched the *Sustainability Innovation Hub* initiative which consists of an **open innovation platform based on collaborative technological monitoring** with the following key strategic areas:

- Raw material circularity
- Improving availability of sustainable raw materials
- Raw material traceability
- Renewable origin

- Development of new technologies and more sustainable materials that minimise the needs for water, energy and use of chemical products

This platform will allow us to select those initiatives of sufficient technological maturity to evaluate their effectiveness through pilot tests, **in order to apply successful outcomes to the commercial phase and to the industry in general.**

The platform was created to **drive major relevant impacts on the Group's strategy on raw materials and/or circularity**, assuming that it is required to comply with our sustainability commitments.



CIRCULAR CARBON

The purpose of the project, which is also based on the *Sustainability Innovation Hub* initiative, is to transform carbon emissions or different sources of carbon feedstock into a resource for the production of new fibres to be used in textile. The pressing aspect of climate change means it is vital to use new technologies in order to capture carbon emissions from industrial facilities, and syngas generated from any biomass resource (e.g. urban solid waste (USW)), organic industrial waste, agricultural waste and textile waste.

This initiative offers an opportunity to convert emissions into fibre, with a reduced carbon footprint due to using an alternative to fossil sources and directly participating in capturing emissions. The fibres researched are synthetic fibres such as PET and acetate fibres.

b) Sustainable raw materials

- Cotton

Cotton is the most common raw material used to produce our garments. For this reason, we have decidedly committed to **organically** grown cotton, enabling us to improve our environmental performance, since it is grown with more sustainable practices and solely use non-GMO seeds.

Our commitment is summarised as a collaboration with the most relevant international initiatives that foster the sustainability of the cotton sector. Thus, we are members of the Textile Exchange, we partner with the Better Cotton Initiative (BCI) and we are one of the founders of the Organic Cotton Accelerator

(OCA) initiative. Since 2017, we have also held a public-private partnership with the International Labour Organization to improve the working conditions of workers in the cotton supply chain⁵⁹.

Featured initiatives

<p>2025 Sustainable Cotton Challenge</p>	<p>In line with the goal of all the cotton we use in manufacturing our products coming from more sustainable sources by 2025, we have joined the Textile Exchange foundation's 2025 Sustainable Cotton Challenge. A non-profit organisation with which we have been collaborating members since 2010, that is an international benchmark in the industry.</p>
<p>Organic cotton</p>	<p>Organic cotton is premised on the optimal use of natural resources, without using synthetic chemicals or genetically modified organisms. Using this type of cotton increases biodiversity and enables more fertile soils for future generations.</p> <p>As members of the <i>Textile Exchange</i>, we partner with this independent and non-profit organisation, that is an international benchmark in the sector. A Platform to promote the growing of organic cotton, and global sustainability within the textile sector.</p> <p> Our goal: to promote organic cotton based on its environmental virtues, with our supply chain reaching the source of the fibre and strengthening and guaranteeing its traceability through to our garments</p>
<p>Better Cotton Initiative</p>	<p>We partner with the Better Cotton Initiative (BCI), which shares our holistic (environmental and social) approach to sustainability and through which we seek to foster a more sustainable cotton supply chain. This initiative develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector.</p> <p> Our goal: 100% sustainable cotton (organic, Better Cotton Initiative and recycled) by 2025</p> <p>Within BCI we are members of the Chain of Custody Advisory Group, a task force involved in driving chronological documentation and evidence tracing in order to track the movement of products throughout the supply chain. This guarantees that the BCI volume sought by retailers and members of the BCI brand does not exceed the volume produced by licensed farmers within a specific period.</p>
<p>Investment Committee of Organic Cotton Accelerator (OCA)</p>	<p>We are one of the founding members of Organic Cotton Accelerator (OCA), a multi-sectorial initiative that supports organic cotton producers to ensure the sustainable growth of the industry and that all players are benefited, from the grower to the end consumer. The growing of organic or ecological</p>

⁵⁹ More information in section 3.6.2 (g) Priority impact areas of this Statement on Non-Financial Information.

cotton only uses natural fertilizers and pesticides, and avoids the use of genetically modified organisms (GMOs).⁶⁰

In spite of the exceptional situation in 2020, we have increased the number of farmers involved in the different FED (Farmer Engagement and Development) Programme projects by 57%, reaching the **direct collaboration figure of more than 9,300 small farmers**. This collaboration and **training initiatives on organic practices** help preserve local biodiversity and encourage soil enrichment, eliminate pesticides and synthetic chemical fertilizers, and prevent the use of genetically modified seeds. Part of the goal of Inditex's approach is to **promote the organic cotton sector**, which currently accounts for less than 1% of global cotton production, and which can result in significant **benefits** such as:

- Increased organic matter of soil, due to organic pesticides and fertilizers, a higher diversity of seeds, as well as the rotation of crops that encourage organic practices.
- Improved water quality, with cleaner aquifers for farmers and their communities
- Improved animal welfare, due to water and food that is free of synthetic elements. Furthermore, also noteworthy is the relevance of livestock as a generator of inputs necessary for organic practices.
- Greater economic stability and equity for farmers and their families.

This initiative has been propagated by the Group and various brands are participating in the project, producing their articles using this raw material.

- **More sustainable man-made fibres**

Our commitment to **forest protection** is inseparable from our endeavours to guarantee the sustainability of our products and our business.

Lyocell, viscose and modal are classed among a group of fibres obtained from cellulose pulp from certain trees. In 2020, we subscribed a **new commitment with CanopyStyle** on the **Next Generation of Viscose**. Consequently, Inditex will only work with the best cellulose fibres (viscose, modal, lyocell) manufacturers that correspond to producers classified as “green shirts” in CanopyStyle’s **Hot Button Report**. These manufacturers prove that **their fibres do not pose a supply risk to primary or threatened forests**.

- ✓ In this regard, we have made a commitment, guaranteeing that, **from 2020, all our cellulosic fibres will come from sources that do not pose a risk to the planet's primary and threatened forests**.

At present, over 300 brands are adhered to this initiative (over 200 brands in 2019 and 170 brands in 2018), thanks to which, in 2020, we have made the following achievements:

⁶⁰ More information on section 3.6.2. Priority impact areas, subsection (g) Labour rights protection in the raw materials factories of this Statement on Non-Financial Information.

- 90% of the world's fibre production comes from manufacturers who are committed to eliminating the supply of materials from primary and protected forests and advance in innovative solutions that reduce pressure on forests (88.6% and 72% of production in 2019 and 2018, respectively).
- 72% of the world's production comes from manufacturers who have completed the audit process (64.7% and 52% of the world's production in 2019 and 2018, respectively).
- 52% of the world's production is free from the risk of being supplied from primary and endangered forests (42.5% and 28% of the world's production in 2019 and 2018, respectively).

EXTERNAL RECOGNITIONS



- According to the **study *Dirty Fashion: Crunch time*** prepared by the **Changing Markets Foundation**, Inditex is included, for the third year in a row, in the frontrunner category in the retail industry thanks to its strong support of production and sale of responsible viscose. The latest release of this report, published in December 2020, assesses responsible production plans, commitments and progress in the transparency of 100 brands and retailers (91 in 2019) and the most relevant viscose manufacturers and initiatives, showing the point at which the world textile industry is in the transition to responsible viscose.



In 2023, 100% of the cellulose fibres we use will be more sustainable, supporting the responsible viscose commitment by the *Changing Markets* organisation in its Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing.

▪ Recycled materials

The production of recycled fabrics is more efficient in terms of consumption, since they require less water, energy and natural resources than production of new fibres, resulting in a reduced environmental impact.

As stated by the *Textile Exchange*, **recycling polyester and polyamide** curtails the consumption of natural resources, since it is not necessary to extract oil to manufacture them, water consumption in obtaining them is low and a reduced amount of waste ends up in landfill.

The urge to incorporate recycled materials into our collections is reflected in their increased use.



During 2020 we have launched into the market items made with **a total of 14,413 tons of recycled materials**, which means an increase in the use of these materials of **89.92% over 2019**.

- **Consumption of raw materials**

In the context of the global consumption of raw materials, we have consumed hundreds of different types of raw materials during 2020. For information purposes, all these raw materials have been grouped, according to their origin, into two main categories: **fibres and non-fibres**.

Percentage of raw materials total consumption

	Fibres			Non-fibres		
	2020	2019	2018	2020	2019	2018
Raw materials	87.9%	89.2%	88.2%	12.1%	10.8%	11.8%

Furthermore, the **fibres** category has been subdivided into three groups: natural fibres⁶¹, synthetic fibres⁶² and lastly, man-made fibres⁶³, the weight of which in terms of consumption has been as follows in 2020:

Percentage of total fibre consumption	Fibres		
	2020	2019	2018
Natural	51.8%	49.9%	48.9%
Synthetic	38.3%	38.1%	38.7%
Man-made	9.9%	12.0%	12.4%
Total	100%	100%	100%

The “**non-fibres**” category includes many different raw materials from natural (vegetable, animal and mineral) and man-made sources, with scarcely any relative importance in the Group's overall consumption, thus, there is no individual breakdown.

c) Raw material control

From the moment the product starts to be created, in the raw material supply phase, controls are made to verify compliance with the Group's health and safety standards.

For this purpose, Inditex has 6 internal control laboratories to analyse 18 substances and parameters on product health, safety and quality.

These laboratories ensure the thorough inspection of the product and are equipped with the **necessary infrastructure and instruments** to perform tests pursuant to the **most demanding international standards**.

⁶¹ Natural fibres are natural filaments that can be threaded to obtain strands, threads or twine.

⁶² Synthetic fibres are made of polymers that are not naturally produced, but fully created in a chemical plant or a laboratory, almost always using petroleum or natural gas by-products.

⁶³ Man-made fibres are made using a natural component as a raw material that undergoes a number of processes in a chemical plant or a laboratory.

Similarly, these internal laboratories **oversee the conformity** of fabrics with our standards' health, safety, and quality parameters, thus, anticipating any nonconformities.

- **The List, by Inditex**

- ✓ 23,373 chemical products regulated in the 4th edition of the programme

In 2013, we designed and implemented *The List, by Inditex*, a **pioneering programme in the textile and leather industry**, which **seeks to improve, with the involvement of the chemical industry, the quality of the chemical products used when manufacturing articles.**

The List by Inditex ensures compliance with the chemical restrictions covered under the product health standard Clear to Wear and the commitment of Inditex to achieve the Zero Discharge of Hazardous Chemicals⁶⁴ (also known as Zero Discharge or the ZDHC Commitment).

By conducting a thorough assessment of the manufacturers and the chemical substances they use, *The List by Inditex* classifies the chemical products pursuant to their degree of compliance with the Clear to Wear standard and Zero Discharge Commitment.

Likewise, work is also done to perfect the existing production processes, as this has a direct impact on the improvement of chemical products. Where such an improvement cannot be achieved, R+D programmes are defined to create new chemical products, alternative to the existing ones.

In 2020 we made progress in exploratory studies to add new substances not included in previous editions of *The List*, in the interests of broadening the scope of the programme in response to our commitments in the Strategic Environmental Plan. The 4th edition of *The List*, released in 2019, remains in force at current time.

⁶⁴ More information in sections 4.3.4. and 5.3. on Sustainable supply chain management and Partnerships of this Statement on Non-Financial Information.



We are currently working toward the convergence of the textile industry by partnering with other renowned international brands, retailers, and bodies. In this context, it is worth highlighting our partnership with the ZDHC Foundation, through the publication of the 4th edition of *The List by Inditex* on its platform (ZDHC Gateway).

It is also worth highlighting the design and carrying out of **application studies that reveal the relationship between content of restricted substances in chemical products and the content after its industrial application**. These studies are vital to understanding the risks associated with the chemical product, as well as the manufacturing processes in which they are used, which boosts progress in their classification within our programme and strengthens our environmental commitment.

In parallel, following the same principles and methodology, *The List by Inditex* has been developed for adhesives and glues used in the footwear industry, premised on characterising products (adhesives and products related to their application) mainly used in this industry, which has approved the product portfolio of the two leading manufacturers of adhesive products for the footwear industry.

The List adhesives in 2020

- 3 new applications to be included in the programme.
- 3 audits and 4,940 analyses have been conducted, making it possible to classify 199 chemical products belonging to two manufacturers.
- Publication of the 1st edition of *The List* for adhesives and glues by Inditex, which will be available on our website from February 2021.

4.2.3 Join Life programme

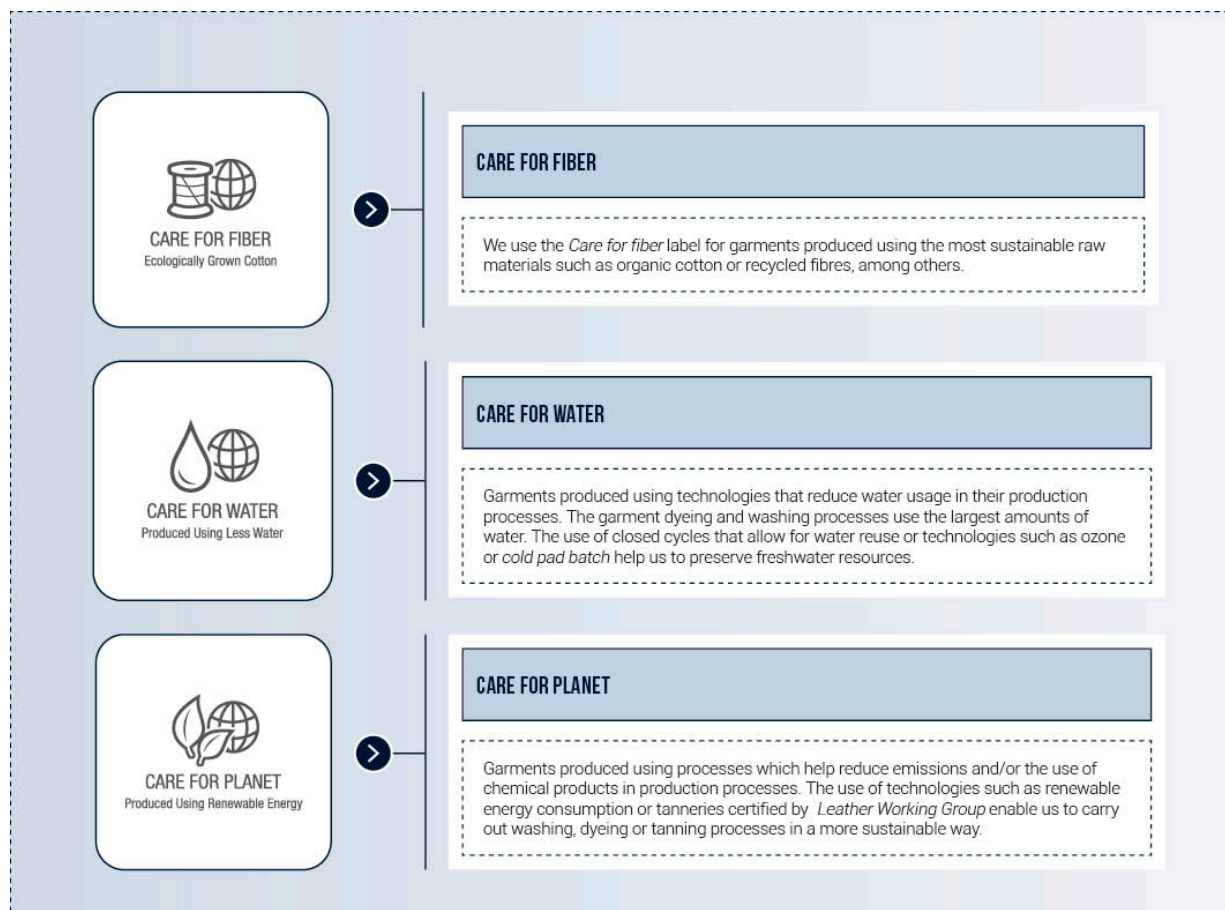
Our **Join Life label** identifies the Group's garments made of the **most sustainable raw materials** and the **most environmentally friendly production processes**.

At Inditex, we strive to make our raw materials more environmentally friendly, using recycled materials and materials that are produced more sustainably. **Under our Join Life standard**, we classify all garments that have been produced using processes and raw materials that help us to curb our impact, such as organic cotton, man-made cellulose fibres and recycled polyester. What is more, this standard is based on the **Life Cycle Analysis (LCA) methodology for assessing the environmental and social impact of the textile sector**. This year, we have reviewed and improved the standard, making it more demanding, and more flexible labelling options have been provided, for instance, the combination of several more sustainable raw materials in a single product, the combination of different types of sustainable filling, and garments designed using different defective models (*Remade*).



In 2020, we went beyond our commitment to reach **25% of garments placed on the market under the Join Life standard**, manufacturing **37.8%** of units under this label.

All Join Life garments are produced by suppliers classified with the best rankings (A or B)⁶⁵ or those with a firm commitment to improvement by conducting a Corrective Action Plan⁶⁶, both on a social and environmental level. **They use raw materials and production processes that curb the environmental impact**, fulfilling at least one of the following three requirements:



In an **ongoing monitoring process** on the evolution of raw material standards, in 2020, we included Join Life feather/down (RDS), Join Life wool (RWS) and – particularly relevant for its ongoing evolution – the latest sustainable options of viscose, among others.

Since 2012, we have been members of the **LWG (Leather Working Group)**, the leather industry’s benchmark for the control of chemicals, effluents, traceability, animal care and transparency with regard to the supply chain of this material. We encourage our leather providers to join the LWG in all its categories, and more strictly, only members with the highest scores may be part of our *Join Life* programme. In 2020, we joined this association’s Executive Committee, in order to continue to work towards identifying and sharing the best practices in the leather industry, and to improving environmental performance and impact reduction.

⁶⁵ More information in section 4.3.3 (b) Assessment and continuous improvement of this Statement on Non-Financial Information.

⁶⁶ More information in section 4.3.3 (b) Assessment and continuous improvement of this Statement on Non-Financial Information.

Inditex is updating its Join Life initiative in relation to non-textile products. The procedure for Zara Home has been amended, with standard materials that can be used in its products to make them Join Life (ceramic, glass, wood, etc.).

Featured initiatives

<p>Training</p>	<p>During 2020, we have prepared training material on more sustainable raw materials, wet processes and tools, to continue training our buyers, suppliers and chains. This training has been given to Zara buyers, designers and other profiles, and also to various heads of Join Life in the brands in order to continue to train their teams throughout the year, i.e. a total of 2,016 employees. Training has also been given in local offices to a total of 200 employees, to enable them, in turn, to train suppliers.</p>																				
<p>Sustainable Product Guide</p>	<p>A sustainable product guide has been provided to buyers and suppliers using our internal information tool. This guide provides knowledge to stakeholders ranging from our social strategy to the classification of raw materials and wet processes. Furthermore, a Join Life manual has been developed for suppliers.</p>																				
<p>Commercial initiatives</p>	<p>In 2020 we carried out a number of commercial initiatives where the design of collections was based on the selection of especially sustainable materials:</p> <table border="1" data-bbox="491 992 1340 2000"> <thead> <tr> <th data-bbox="491 992 639 1088">Brand</th> <th data-bbox="639 992 810 1088">Commercial initiative</th> <th data-bbox="810 992 975 1088">Line</th> <th data-bbox="975 992 1340 1088">Actions</th> </tr> </thead> <tbody> <tr> <td data-bbox="491 1088 639 1552" rowspan="2"> <p><i>Bershka</i></p> </td> <td data-bbox="639 1088 810 1256"> <p><i>Hack Denim I and II</i></p> </td> <td data-bbox="810 1088 975 1256"> <p>A unique garment</p> </td> <td data-bbox="975 1088 1340 1256"> <p>Fully manufactured using old stock items. <i>Join Life RE-MADE</i> labelling.</p> </td> </tr> <tr> <td data-bbox="639 1256 810 1552"> <p><i>B3 Collection</i></p> </td> <td data-bbox="810 1256 975 1552"> <p>Timeless and unisex line with high quality garments</p> </td> <td data-bbox="975 1256 1340 1552"> <p>Made from 100% organic cotton. Water consumption reduction technologies. <i>CARE FOR FIBER</i> and <i>CARE FOR WATER</i> labelling.</p> </td> </tr> <tr> <td data-bbox="491 1552 639 1899" rowspan="2"> <p><i>Oysho</i></p> </td> <td data-bbox="639 1552 810 1899" rowspan="2"> <p><i>Join Life – Summer Collection</i></p> </td> <td data-bbox="810 1552 975 1899" rowspan="2"> <p>Swimsuits, trikinis and bikinis</p> </td> <td data-bbox="975 1552 1340 1659"> <p>Garments composed of recycled materials.</p> </td> </tr> <tr> <td data-bbox="975 1659 1340 1899"> <p>Recycled polyamide, carpets or production samples. And recycled polyester produced from recycling used plastic bottles.</p> </td> </tr> <tr> <td data-bbox="491 1899 639 2000"> <p><i>Zara</i></p> </td> <td data-bbox="639 1899 810 2000"> <p><i>Kids Perfume</i></p> </td> <td data-bbox="810 1899 975 2000"> <p>Line comprising</p> </td> <td data-bbox="975 1899 1340 2000"> <p>50% bioalcohol from organic crops.</p> </td> </tr> </tbody> </table>	Brand	Commercial initiative	Line	Actions	<p><i>Bershka</i></p>	<p><i>Hack Denim I and II</i></p>	<p>A unique garment</p>	<p>Fully manufactured using old stock items. <i>Join Life RE-MADE</i> labelling.</p>	<p><i>B3 Collection</i></p>	<p>Timeless and unisex line with high quality garments</p>	<p>Made from 100% organic cotton. Water consumption reduction technologies. <i>CARE FOR FIBER</i> and <i>CARE FOR WATER</i> labelling.</p>	<p><i>Oysho</i></p>	<p><i>Join Life – Summer Collection</i></p>	<p>Swimsuits, trikinis and bikinis</p>	<p>Garments composed of recycled materials.</p>	<p>Recycled polyamide, carpets or production samples. And recycled polyester produced from recycling used plastic bottles.</p>	<p><i>Zara</i></p>	<p><i>Kids Perfume</i></p>	<p>Line comprising</p>	<p>50% bioalcohol from organic crops.</p>
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		<i>Join Life cosmetics</i>	five unisex fragrances	100% recyclable bottle. <i>Packaging</i> comprising 100% recycled FSC certified paper and 30% recovered glass.
	<i>Zara Home</i>	<i>Join Life Objects</i>	Cutlery and crockery	Stainless steel cutlery and stoneware crockery, produced by renewable energy and low emission technologies. Recycled glass.
	<i>Pull&Bear</i>	<i>Join Life Collection circularity project: Story of a shirt</i>	Shirt	Care for Fiber labelling: at least a 50% of recycled cotton Example of black fibre obtained by shredding other unusable garments, fiber that does not need dying process. A second life for a thread that could have ended up in landfill, generation a new garment. Interior alarms and cardboard have been reused Employment created for waste management on a special employment centre.

4.2.4 Health and safety aspects of our products

Inditex has in place the most exacting product health and safety standards, which are mandatory and which apply to all the goods we sell, and are a benchmark for manufacturing practices of all the suppliers across our supply chain.

The Group upholds its commitments to the Sustainable Development Goals, including to Good Health and Well-being and Responsible Consumption and Production with its health and safety standards, which endeavour to ensure the highest quality and safety on chemical products used in the supply chain and foster safer alternatives for human health and the environment.

In partnership with technology companies, research centres and international laboratories of reference, we verify the appropriate implementation of our standards using own and innovative programmes that include:

- ✓ The **analysis** of both the **goods** and the **chemical products used in the production thereof**.

- ✓ Conducting **recurrent audits**⁶⁷ both at the **facilities involved in manufacturing** the goods, and at the **factories that produce the chemical products used** to produce our goods.

We are aware that there are various stages and processes in the textile and leather industry that use chemical products to transform the raw material from the earliest stages of production to the final stage of manufacturing.

Therefore, our requirement is applicable to the chemical industry, responsible for producing dyes, pigments and ancillary chemicals used in the textile and leather industries within *The List*⁶⁸ Programme.

Based on the premise of working towards the excellence of our products, **Inditex has a team of scientists and technology experts that monitors any novelties and revisions related to regulations on health and safety**. It is also in charge of identifying the chemical substances used in the industry and evaluating every manufacturing process of our products.



This effort ensures that items meet the highest levels of health and safety, regardless of the specific regulations and legislation that may apply in each market.

As a result of this process, Inditex has succeeded in going beyond the Restricted Substances List for use in the textile industry in the preparation of our product standards. **We have contributed our additional knowledge, which identifies regulated substances and controls manufacturing processes, while at the same time we have proposed the use of alternative technologies to prevent non-conformities**. This knowledge is a highly useful point of reference for our manufacturers and for the industry as a whole with respect to ensuring the health and safety of production.

a) Our product health and safety standards

Our policies are contained in the various internal standards developed in terms of health, safety and environmental sustainability, and encompass a wide variety and classification of items manufactured and marketed by the Group.

In 2020, we reviewed all the health and safety standards for our products (garments, footwear and accessories, cosmetics, products in contact with food, children's furniture, candles and home fragrances), working on updates in response to the new legal requirements and our commitments to sustainability, and increasing their scope to the new product typologies of items that we market for children.

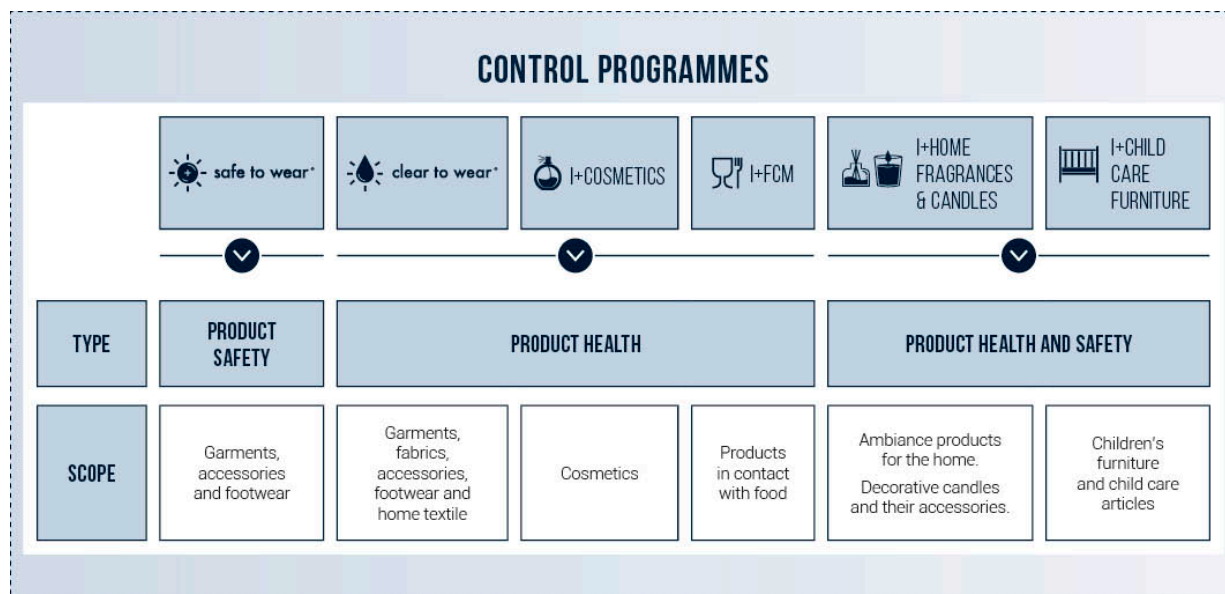
Likewise, in order to comply with our environmental commitments, particularly the ZDHC Commitment (*Zero Discharge of Hazardous Chemicals*)⁶⁹, **we have our own Manufacturing Restricted Substances List (MRSL)**. Our MRSL, available on our corporate website and applicable to all manufacturing processes of our products, specifies the chemical substances that are subject to specific restrictions or whose use is prohibited.

With the information generated in our control programmes and in the processes of updating our standards, we can identify new substances that are used in the textile and leather industry and can continuously evaluate their safety. Thus, if we identify a new substance that has a direct impact on the environment or on health, we integrate it in our MRSL and in our product standards.

⁶⁷ More information in in section 4.3.3 (c) Assessment and ongoing improvement, of this Statement on Non-Financial Information.

⁶⁸ More information in in section 4.2.2 (c) Selection of materials of this Statement on Non-Financial Information.

⁶⁹ More information in section 4.1.3 (d) Our approach to water management of this Statement on Non-Financial Information.



a) Safe to Wear

Safe to Wear (StW) is our product safety standard, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied. It has been developed in partnership with international safety experts in clothing for children, in accordance with the most demanding laws and regulations in the field.

In addition to covering the design, the degree of attachment of small parts, sharp points and sharp edges in clothing for children, the standard restricts parameters such as flammability in articles intended for both children and adults.

- ✓ Throughout 2020, we have continued working to include changes and new regulations for the next version. Similarly, **we have worked on a new, more user-friendly and visual production guide**, within the process of ongoing training and guidance to our suppliers, **putting forward the potential risks of the designs, as well as their alternatives and best practices for manufacturing.**

b) Clear to Wear

This is our product health standard, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied.

Clear to Wear has been developed in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding product health. In addition to covering parameters and substances whose use is restricted, it limits the use of certain substances not addressed in the prevailing laws and regulations which could be potentially hazardous, and encompasses the provisions of REACH, (European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), being the EU regulation that all our suppliers must observe.

- ✓ In 2020, we studied the potential toxicity of more than 1,800 substances particularly subject to concerns based on the environment and human health; and we assessed their potential use in the different stages of manufacturing in the textile and leather industry. These actions are geared towards guaranteeing our commitment within the Strategic Environmental Plan and commitment to our customers.

c) I+Cosmetics

This is our **product health standard which applies and is mandatory for all our cosmetic products**. *I+Cosmetics* has been developed in partnership with scientific and technological advisers, research centres and academic institutions, according to the most demanding laws and regulations on health of the product in the cosmetics sector. In addition to covering parameters and substances which use is restricted by law, it **limits the maximum level of impurities allowed in starting materials**.

- ✓ A new updated version was implemented in 2020, including regulatory changes in cosmetics and updating the first edition released in 2017.

d) I+FCM

I+FCM is the product health standard which is also mandatory for all the products designed to be in contact with food. And it was drafted in accordance with the most demanding food health and safety regulations.

In addition to covering parameters and substances which use is restricted by law for all types of materials used in goods in contact with food (polymer, rubber, crockery, glass, metal, paper, or wood, among others) it **restricts the transmission** in ordinary or foreseeable use conditions, **of chemicals comprising the goods to the food they are in contact with**.

- ✓ Following the consolidation of the implementation of its first release, the standard was updated with a second edition in 2020, including regulatory changes and updates in this field.

e) I+Home Fragrance & Candles

This is our **product health and safety standard that is applicable to candles, incense and other ambiance products for the home**. It regulates health parameters and substances whose use is legally limited. As with all other standards, it seeks to ensure that our products meet the necessary requirements to avoid risks to customer health.

- ✓ The first release, designed in 2019, was consolidated in 2020 and work remains ongoing on possible updates to this standard for the next edition.

f) I+Child Care Furniture

This is the **Inditex product health and safety standard that is applicable to childcare articles such as changing tables, high chairs and cribs**. It regulates health parameters and substances whose use is legally limited. As with all other standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health.

- ✓ The first release, which has already been published, was consolidated in 2020 and work remains ongoing on possible updates to this standard for the next edition.

b) Product health and safety control procedures

Inditex's collections are present in 202 markets. To ensure that all our products comply with the most demanding standards of health, safety and environmental sustainability, we have developed a comprehensive control and improvement programme that covers all production phases and with which compliance is mandatory for our entire supply chain.

Picking programme

In 2011, we designed and implemented Picking, a control and analysis programme which seeks the effective identification of nonconforming finished articles during the production process, with the involvement of scientific and technological advisers and the support of benchmark international suppliers of analytical services.

Specifically, Picking is our benchmark instrument because it is constantly adapting to our production and logistics model. It thus guarantees that all the items we market comply with our health and safety standards.

Design and manufacturing stage

In the design stage, units of experts on product health and safety of each one of our brands assess the risk of items. In the manufacturing phase, outside inspectors take representative samples of the on-site production of all risk items, on which laboratories conduct analyses and tests.

A detailed evaluation of such samples determines whether the product is approved, rejected, or requires recovery processes to be compliant with Inditex standards.



A total of 42,856⁷⁰ inspections have been carried out in 2020, with the performance of 744,404 analysis and tests (56,352 inspections and 899,046 analysis in 2019; 63,420 inspections and 933,980 analysis in 2018, respectively).

The evolution of the degree of initial compliance with the product health and safety standards (Clear to Wear and Safe to Wear) is shown below:

Degree of compliance	2020	2019	2018
CTW – chemical substances	99.3%	98.9%	99.1%
CTW – Parameters	99.3%	98.8%	98.6%
CTW	98.6%	97.8%	97.7%
STW – Parameters	99.9%	99.8%	99.8%
STW – Design	99.8%	99.7%	99.8%
STW	99.7%	99.6%	99.6%
CTW+STW	98.3%	97.4%	97.4%

The laboratories that provide support for the programme, distributed in different clusters of suppliers, are relevant players in the Picking programme. Their work is therefore standardised, with innovative and

⁷⁰The number of inspections and analyses have decreased significantly due to the impact of the pandemic on the closure of certain manufacturing countries, and is not due to a change in the risk assessment strategy.

optimised analytical methods that are subject to strict follow-up on the quality of their results and on the service they provide.

Having control instruments that quickly and accurately establish the conformity of our standards is a constant challenge for Inditex. Therefore and to supplement the Picking Programme, we have implemented so-called Minilabs, portable laboratories the size of a carry-on luggage case, which allow conducting screening tests of six substances and parameters regulated in the Clear to Wear standard at any given time.

Thanks to the Minilabs, we conduct testing at the factories themselves, thereby improving the efficiency of our control systems.



In 2020, a total of 2,671 Picking inspections were performed with Minilabs, which involved 27,431 analyses and screening tests⁷¹.

In addition to this and in order to expand the coverage of this system, we want to expand the scope to all manufacturing countries, as well as increase the number of substances and parameters.

With *Minilabs*, we can make decisions there and then, such as the possibility of recovering and saving any affected production before it is delivered. This *on-the-spot* recovery results in major benefits in terms of sustainability, by minimising energy and water that would have been consumed due to transporting affected productions and their subsequent recovery or destruction. It is also important to raise supplier awareness, given that the analyses are conducted in their presence and at their own facilities.

New evaluation of a product before being distributed

With the design and production concluded, all items are sent from manufacturing countries to our distribution centres. This is when our health and safety technicians evaluate the products, supervise the results of all the analyses performed and conduct product safety inspections, especially on small parts, cords and drawstrings.

In addition, **we conduct random verification analyses of the productions we receive at distribution centres**, for which we also use our internal laboratories and the analytical support network of the Picking Programme.

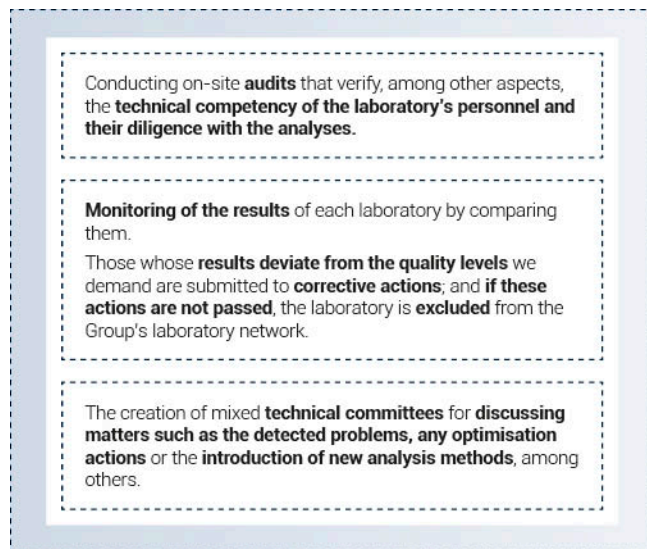
If design modifications or incidents in the initial risk evaluation of the production are detected, then any additional analyses and corrections that are needed are performed at that time to guarantee compliance with Inditex's standards.

⁷¹ 2,977 inspections and 36,929 analysis and screening tests carried out in 2019; 1,276 inspections and 17,212 analysis and screening tests in 2018.

Approval of Laboratories Programme (APPLABS)

To establish if a production complies with our standards, we rely on testing by external laboratories. And given the production model and the strict limits of our standards, we seek maximum accuracy and precision.

Confidence in these laboratories is cemented in an external laboratory approval programme called *Applabs*. It was designed and developed together with the University of Santiago de Compostela and has several stages:



In 2020, a total of 20 on-site audits were conducted of external laboratories, in addition to 32 comparison exercises, which involved analysing 6,915 samples. (13 audits, 30 comparison exercises and analyses of 7,763 samples in 2019; 9 audits, 17 comparison exercises and analyses of 8,565 samples in 2018).

Root Cause Analysis (RCA)

Whenever an item does not comply with *Clear to Wear* requirements, Inditex conducts a *Root Cause Analysis* (RCA) to understand what has happened and to study new improvement strategies.

In such RCAs, **textile or leather experts evaluate the facilities** (dyeing mills, washing mills, printing mills and tanneries) that are **involved in manufacturing the affected article to determine that source of the problem**. Once it has been identified, a **Corrective Action Plan (CAP)** is determined for the factory in order to avoid future incidents.

In 2020, 9 RCA audits were conducted.

The results showed that in 45% of the cases the supplier, in their manufacturing, had used chemical products not permitted by *The List, by Inditex* and/or had not applied adequate controls to these products prior to manufacturing. The cause of 11% of the non-conformities detected was due to cross-contamination between different productions that did not meet suitable manufacturing conditions (27 RCA audits, 89% and 11% of cases, respectively, in 2019; 47 RCA audits, 79% and 13% of cases, respectively, in 2018).



The presence of restricted substances originating from the raw materials conditioning stages was the cause of 11% of non-conformities (0% in 2019 and 2% in 2018). Lastly, in the remaining 33% of the audits the results were inconclusive (0% in 2019 and 4% in 2018).

This information allows us to enrich and provide feedback to our Green to Wear and *The List, by Inditex* programmes, thereby ensuring the ongoing improvement of those programmes.

Analysis optimisation

Within the framework of Picking, Inditex is collaborating with specialised researchers in the textile industry on the **development of testing tools for manufacturing technologies with a greater risk of generating non-conformities**.

Thus, and in accordance with a continuous updating and improvement process, **we can compare conformity with standards** in a greater number of references and with a fewer number of analyses. All without varying the commitment to and maximum responsibility for the health and safety aspects of our products.

Recovery of non-compliant production

In order to be able to reduce productions that are discarded due to non-conformities with our standards, we work with our scientific and technology partners on recovering productions by **eliminating the substances that are the causes** of non-conformities. Due to this collaboration, we have implemented **recovery protocols** for productions in which substances such as arylamines, phenols, formaldehyde and phthalates are present, as well as protocols for correcting pH in excess or deficiency.

c) Training and awareness-raising

The Group relies on scientific teams and technology experts who identify regulatory developments, construe the restrictions thereof, select analytical methodologies and carry out in partnership with the chemical industry, a thorough evaluation of chemical products and manufacturing processes where *non-conformities* might appear.

As part of this careful process, the design of our standards goes beyond the limitations of a classic **Restricted Substances List (RSL)**, bringing in additional expertise that allows us first **to identify hazardous chemicals and manufacturing processes** and secondly, **to propose alternative products or manufacturing technologies to avoid non-conformities**. This information is very helpful for our manufacturers and is a key strategic element of the training and information actions across our supply chain.

Thus, we regularly give training on specific and relevant elements of the health and safety standards addressed to technical and managerial staff of suppliers. In 2020, experts on product health and safety from our Sustainability Department provided training and gave technical advice in the main manufacturing clusters: Portugal, Morocco, Turkey, China, Bangladesh, India and Pakistan.

At the same time, regarding awareness-raising among internal design and buyers teams, we have reinforced the department of product health and safety across all our brands for the purposes of:

- ✓ Giving ongoing training to commercial and design teams on product health and safety issues.
- ✓ Providing technical assistance onsite to commercial and design teams.
- ✓ Cutting the time required to detect potential breaches and providing solutions best suited to the specific type of product.

Refreshment training is provided to these units of experts in partnership with academic institutions and scientific and technology companies.

Training has been given to new internal teams in the own product health and safety area in 2020.

Similarly, and due to restricted mobility as a result of the exceptional situation of global pandemic, the mode of training has had to be adapted from in-person format to online format in the case of external training provided by our product health and safety teams in different countries.

4.3 SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN

Related material topics: *Value chain transparency and traceability; Socially sustainable production environments; Human Rights; Environmental footprint minimisation; Responsible purchasing practices; Stakeholder engagement*



Inditex's responsible management of supply chain sustainability is based on:

- Ensuring the **traceability** and in-depth knowledge of our suppliers and manufacturers.
- Applying sound **social and environmental** sustainability **standards and requirements** to our suppliers and manufacturers.
 - In the social sphere: we work to ensure decent working conditions for the workers of the suppliers and factories comprising our supply chain.
 - In the environmental sphere: we develop sustainable production initiatives, and foster the use of renewable energy sources and the reduction of emissions, and we guarantee the health and safety of our products.

These standards are accompanied by a commitment by us to apply **responsible purchasing practices**.

- The **verification** of our standards and **ongoing improvement** of the supply chain.

In order to apply our sustainability policies and procedures throughout the supply chain, the work of our **12 supplier clusters** – comprising 97% of the total production – is crucial: Spain, Portugal, Morocco,

Turkey, India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Argentina and Brazil (12 clusters and 96% production in 2019 and 2018). These clusters are spaces for cooperation and dialogue, the purpose of which is to foster a **sustainable production environment** in a strategic geographic area and within a framework of compliance with human rights and environmental friendliness.

In 2020, we have continued to work to ensure **all the suppliers and manufacturers** in our supply chain comply with our principles, regardless of the process they carry out or the level at which they are in the supply chain. This year, this work has been more deeply geared towards levels and processes further away from the end product.

One of our core supply chain management goals is to engage in ongoing collaboration and support throughout our relationship with suppliers, and to cooperate with them to improve their own supply chains. Thus, we train our suppliers, support them in the application of our standards and requirements, and work jointly with them towards ongoing improvement. We are even developing pilot projects in which we analyse our supply chain's will and need for technical assistance, to achieve the sustainability goals we set at Inditex, and we seek to accompany our suppliers with technical support in order to achieve these goals and facilitate access to sustainable financing.

4.3.1 Traceability of our supply chain

In 2020, our supply chain comprised 1,805⁷² direct suppliers (1,985 suppliers in 2019⁷³) which, in turn, used 8,543 factories⁷⁴ for our production (8,155 in 2019).



⁷²Suppliers of fashion items with a production of over 20,000 units/year in the 2020 spring/summer and autumn/winter campaigns. Suppliers with lower productions account for 0.33% of total production.

⁷³ The data published in 2018 and 2019 are not comparable with those in 2020 due to the extended scope in the 2019 report on the number of suppliers and manufacturers.

⁷⁴Factories declared by the suppliers in the product traceability system for 2020 orders.

The increase in the number of factories compared to 2019 is due to the efforts made by Inditex to reinforce the traceability of processes related to the processing of raw materials (for instance, spinning or weaving processes), a field to which the company has given special consideration in recent years.

The cornerstone to ensuring compliance with our sustainability standards and requirements, both those applicable directly to the product and those applicable to the facilities involved in manufacturing them, is **traceability**. Thus, our focus and emphasis on ensuring traceability allows us to guarantee compliance with the social and environmental criteria regarding the materials and factories used to produce our items through the tools and processes on which we have worked in recent years.

To achieve the traceability of all players and processes involved in the production of our garments, we perform the following tasks:

1. **We demand that our suppliers inform us**, at all times, **of the factories** involved in our production, from textile raw material processing through to finishing processes. In 2020, we have reviewed and strengthened the control on compliance with our procedures.
2. **We digitalise** information using an in-house developed **“Traceability Management System”**, which undergoes ongoing development. In 2020, it is worth noting that new functions have been developed to improve the quality and detail of the information provided in relation to the manufacture of fabrics directly managed by the Group.
3. We verify on site the authenticity of the information provided by the suppliers in the management system, through Traceability Audits.

1,342 traceability audits were performed in financial year 2020 (1,396 and 2,546 audits in 2019 and 2018, respectively).

Furthermore, we validate the most sustainable materials used in our products by implementing traceability procedures that allow us to ensure compliance with the standards approved for our *Join Life*⁷⁵ programme. Traceability is also a crucial factor in ensuring the circularity of our products⁷⁶.

Evidence of our global vision of traceability is our partnership with the United Nations Economic Commission for Europe (UNECE) in its project to issue a Traceability Policy which takes a holistic approach, responding to the growing demand for legislative policies and actions for responsible business conduct throughout global value chains.

4.3.2 Policies, standards and principles on which our supply chain management is based

All suppliers and manufacturers involved in the production of our products are expressly bound to observe the values and principles of ethical conduct of the Inditex Group.

a) Code of Conduct for Manufacturers and Suppliers

Our **Code of Conduct for Manufacturers and Suppliers** (hereinafter, “CCMS”) lays down the minimum standards of ethical and responsible conduct to be observed by all the suppliers and manufacturers throughout the supply chain. These values and practices are based on **respect for Human and Labour Rights**.

Among the contents of the CCMS are:

⁷⁵ More information in section 4.2.3 Join Life Programme of this Statement on Non-Financial Information.

⁷⁶ More information in section 3.7 Circularity of this Statement on Non-Financial Information.

- No forced labour;
- No child labour;
- No discrimination;
- Respect for freedom of association and collective bargaining;
- No harsh or inhumane treatment;
- Safe and hygienic working conditions;
- Wages are paid;
- Working hours are not excessive;
- Regular employment;
- Traceability of production;
- Health and Safety of products;
- Environmental awareness;
- Confidentiality of information;
- Implementation of the CCMS; and
- Inditex's Committee of Ethics, as a grievance mechanism.

The express acceptance of all the CCMS standards is required for a manufacturer or supplier to form part of the Inditex supply chain, as well as passing audits to verify compliance with this Code. The breach of any of the above referred standards may entail the termination of the relationship.

The CCMS is inspired by the principles provided by:

- The Organization for Economic Cooperation and Development (hereinafter, the "OECD"),
- The Base Code of the Ethical Trading Initiative
- The principles of the United Nations Global Compact,
- The following ILO Conventions: 1, 14, 26, 29, 79, 87, 98, 100, 105, 111, 131, 135, 138, 142, 155, 164 and 182.

b) Green to Wear

In terms of the environment, we have the *Green to Wear* standard. Its goal is to **minimise the environmental impact** of factories in the supply chain and **improve health and safety aspects of items**, as well as to foster best practices.

This standard gives particular importance to correct water management to drive the reduction of water consumption through the most advanced technologies, and includes indicators that assess sustainable and efficient management in fields such as raw materials, water, technology and processes, chemicals, waste and wastewater.

At the start of 2020, **we notably developed this standard**, which has acquired the designation **Green to Wear 2.0**. (hereinafter GtW 2.0), by incorporating the management of chemical substances (set out to date in the Ready to Manufacture code). A fundamental part of the standard is the use of our *The List*⁷⁷

⁷⁷ More information in section 4.2.2 (c) Selection of raw materials of this Statement on Non-Financial Information.

programme, which is key to correctly selecting the chemicals used and ensuring the absence of hazardous substances in emissions to the environment, as well as in the product.

This standard is applicable to **all suppliers or manufacturers** in our supply chain who carry out **wet processes**.

We measure the achievement of our Zero Discharge commitment in 2020⁷⁸ through our Green to Wear 2.0 standard and our environmental audits.

c) Responsible purchasing practices

Inditex is aware that **a responsible approach to purchasing practices** is a vital part of achieving a **more sustainable supply chain**. Therefore, **the sustainability culture permeates the entire business model**, with particular emphasis on the purchasing area, since all its decisions are subject to sustainability criteria.

An example of sustainability criteria aligned with purchasing decisions is that **a supplier or manufacturer cannot be part of the Inditex supply chain**, or carry out any production for the Group **if it has not passed a pre-assessment audit** that verifies its compliance with Inditex's sustainability standards. Subsequently, upon commencement of the business relationship, **sustainability criteria** continue to be **a benchmark for our purchasing teams**.

To ensure this alignment, at Inditex we have systems that give buyers real-time sustainability information of suppliers and manufacturers, featuring their level of compliance with Inditex requirements in this field.

Furthermore, purchasing teams receive ongoing **training in social and environmental sustainability**, to enable them to not only know and understand the company's principles, but adopt best practices and make a responsible purchase.

Collaboration with the industry is essential to implementing responsible purchasing practices that are consistent provide the greatest possible positive impact when applied by more than one company. In this respect, Inditex collaborates with other brands in the textile sector and with *IndustriALL Global Union* in the **ACT (Action, Collaboration, Transformation)** initiative, in order to transform the textile industry and achieve living wages for workers, through collective bargaining, backed by responsible purchasing practices.

⁷⁸ More information about our Zero Discharge commitment in section 4.2.2 Selection of materials, sub-section (c) Checking the raw materials of this Statement on Non-Financial Information.



4.3.3 Assessment and Ongoing Improvement

a) Pre-Assessment

The first verification of compliance with Inditex requirements on environmental and social management takes place even before the supplier begins its business relationship with us.

This verification is done through **pre-assessment audits**, which consist of prior assessments of all potential suppliers and factories, performed by internal and external auditors, with no advance notice.

These audits **help to ensure that only suppliers and manufacturers who meet our standards** are able to form part of the Inditex supply chain.

Inditex carried out 3,062 pre-assessment audits during 2020 (2,789 and 2,177 audits in 2019 and 2018, respectively). The increase of pre-assessment audits in 2020 is in relation to the effort made to reinforce traceability in terms of factories with processes related to the processing of raw materials.

b) Social Audits

CCMS compliance verification is not only performed at the start of the business relationship with a manufacturer or supplier; it is regularly assessed by performing **Social Audits** to each and every supplier and factory included in our supply chain.

The purpose of social audits is to **ensure that the fundamental rights of the workers involved in our supply chain are respected**.

The methodology of the Social Audits used in Inditex was initially designed in 2007 in partnership with the former International Textile, Garment and Leather Worker's Federation (currently integrated in *IndustriALL Global Union*), the University of Northumbria and the *Centre for Business and Public Sector Ethics* of Cambridge University.

This methodology has been updated several times and includes, among other procedures:

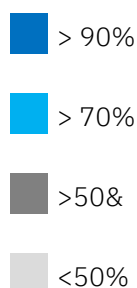
- Interviews of workers and their representatives (if any) as well as management.
- Review of documentation related to the working conditions of workers.
- Visits to the facilities of the audited company.

Audits are carried out by independent external auditors, as well as by internal auditors, with no advance notice of the date of the review.

During 2020, 5,689 social audits were carried out (6,411 and 5,359 audits in 2019 and 2018, respectively). The audit data for the year should be read in conjunction with the corrective action plan data displayed in the following section, since our accompanying work to improve suppliers and factories has intensified this year.

In accordance with the results of these audits, the degree of compliance with the different aspects of the CCMS for active factories of our supply chain in 2020 is set out below⁷⁹:

	Africa	Americas	Asia	Europe outside the EU	European Union
No forced labour.					
No work by youths or child labour. ⁸⁰					
No discrimination.					
Respect for freedom of association and collective bargaining					
No harsh or inhumane treatment.					
Hygiene at work.					
Wage compliance.					
Working hours.					
Environmental awareness.					
Regular work.					
Implementation of the Code. ⁸¹					



As a result of the social audits, suppliers and manufacturers are classified according to their degree of compliance with the CCMS. In 2020, active suppliers are classified as follows:

Classification	2020		2019		2018	
	Number of suppliers	Percentage (%)	Number of suppliers	Percentage (%)	Number of suppliers	Percentage (%)
A	575	32%	784	40%	661	35%
B	1,152	64%	1,051	53%	1,045	56%
C	27	1%	44	2%	80	4%
Subject to CAP	24	1%	38	2%	47	3%
PR	27	1%	68	3%	33	2%
TOTAL	1,805	100%	1,985	100%	1,866	100%

⁷⁹ Factories blocked in 2020 not included

⁸⁰ Includes the lack of suitable systems for verifying the age of workers.

⁸¹ Includes the lack of suitable systems for registering and communicating with workers.

CLASSIFICATION	AUDIT RESULTS
A	Complies with the CCMS
B	Does not comply with some non-relevant aspect of the CCMS
C	Does not comply with a sensitive, but inconclusive aspect of the CCMS
Subject to CAP	Breaches of the CCMS triggering the immediate implementation of a Corrective Action Plan
PR	Audit in progress.

c) Environmental Audits

Verification of compliance with the GtW 2.0 standard is regularly assessed using **environmental audits** on suppliers and factories that belong to the Inditex supply chain and carrying out **wet processes**. These audits are conducted by independent external auditors.

In addition to a visit to the facilities of the announced company and a review of documentation, these audits include an unannounced analysis of wastewater samples from each of the audited facilities, which is posted on the ZDHC Gateway platform set up for this purpose.

These audits allow us to assess compliance with several of our environmental sustainability commitments, which include notably our Zero Discharge (ZDHC) commitment.

In 2020, 1,123 audits have been conducted under this standard.⁸²

d) Special Audits

Special Audits focus on a specific area for improvement. Examples of areas addressed in these visits are structural and technical assessments or the assessment of working conditions of the workers exclusively from a health and safety perspective.

781 special audits have been performed in 2020 (1,619 and 1,982 audits in 2019 and 2018, respectively). The drop in the number of special audits is related with the restrictions arising from the COVID-19 pandemic.

e) Continuous Improvement: Corrective Action Plans

A cornerstone of sustainable supply chain management is ongoing improvement, with Corrective Action Plans (CAP) being one of the main tools we use to this end. These are undertaken after identifying breaches in both social and environmental audits conducted on suppliers and factories in our supply chain.

The two main objectives of the CAPs are:

- (i) The establishment of measures aimed at mitigating and/or remedying potential breaches of the CCMS or the GtW 2.0 standard.
- (ii) Prevention, to avoid further breaches in future.

⁸²The number of audits conducted in 2019 and 2018 is not included, since due to the update of GtW 2.0 standard and the consolidation of the previous GtW and *Ready to Manufacture* standards therein, the number of audits reported in previous years is not comparable.

These Corrective Action Plans include exacting goals and deadlines that must be met properly and promptly by the supplier.

Accordingly, they will have the full support of Inditex, who will accompany them in the process of improving workers' conditions and seeking a positive environmental impact. Furthermore, in the case of breaches of the CCMS, they will also have the support of other stakeholders, such as non-governmental organisations, trade unions or other civil society organisations.

Our monitoring methodology includes support, a follow-up of the evolution and compliance of these CAPs by our teams, including competence visits performed by our staff.

The duration of the CAP will depend on the severity of the breach detected. In the case of the most sensitive breaches (ranking Subject to CAP), the approximate duration of the CAP is six months, during which time our teams provide support to suppliers and manufacturers in order to implement the necessary corrective measures. Upon completion of this period, a further audit is conducted. In the event of verifying that the plan has not been fulfilled and critical breaches are again identified, the factory or supplier will be blocked and its commercial relationship with Inditex will be suspended.

It is worth mentioning that, in line with our philosophy of ongoing improvement, in 2020, the scope of the comprehensive follow-up conducted through these Corrective Action Plans has been extended to other ratings, not solely to factories with more sensitive breaches.

- Social CAPs: in 2020, 715 Corrective Action Plans were conducted. 303 of these plans were carried out in factories Subject to CAP (400 and 417 in 2019 and 2018⁸³, respectively), and 412 in factories with other rankings.
- Environmental CAPs: in 2020, 490 Corrective Action Plans were conducted (136 and 135 in 2019 and 2018, respectively). 132 of these plans were carried out in factories Subject to CAP, and 358 in factories with other ratings.

4.4 HUMAN RIGHTS

Related material topics: Human Rights



Inditex's Human Rights Strategy is based on the Guiding Principles on Business and Human Rights approved in 2011 by the United Nations Human Rights Council, and is based on **our commitment to respect for and promotion of human rights**.

The strategy comprises **three key pillars** integrated throughout the business model.

⁸³ In 2019 and 2018, only Corrective Action Plans of a social nature conducted in factories or suppliers subject to a CAP were reported.



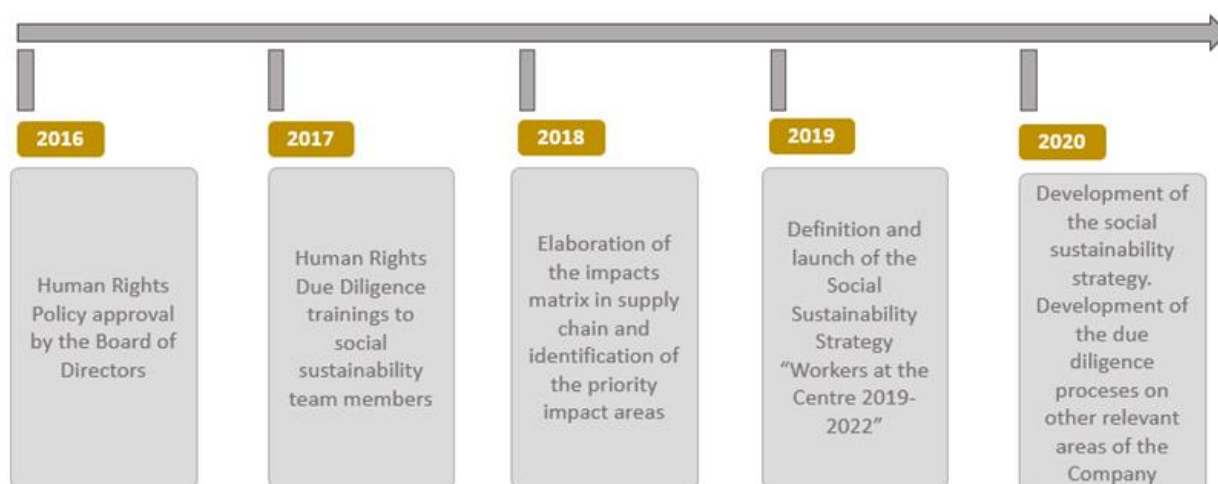
Along these lines, it is worth highlighting the existing partnership between Inditex and Shift, a non-profit organisation headed by D. John Ruggie, the author of the UN Guiding Principles on Business and Human Rights (hereinafter, the “**Guiding Principles**”). This collaboration comprises the backing and advice of Shift to undertake due diligence processes, and Inditex's participation in the *Business Learning Program*. This programme brings together a group of multinational companies at the forefront of sustainability in their respective activity sectors, in order to develop strategies that foster best practices in the field in line with the Guiding Principles.

Based on the strategy's three pillars and our commitment to sustainability, we have developed individual policies, plans and strategies necessary to strengthen the path of fostering of and respect for Human Rights, combining this approach with our commitment to the Sustainable Development Goals.

Notwithstanding our commitment with all Human Rights, at Inditex we have identified such Human Rights directly related to our value chain, based on an analysis of our business model and the expectations of our stakeholders.



TIMELINE OF OUR HUMAN RIGHTS STRATEGY



4.4.1 Inditex Group Policy on Human Rights

The Company's Human Rights Policy is inspired by the United Nations Universal Declaration of Human Rights, the main ILO Conventions, and the Guiding Principles on Business and Human Rights, among others. The Policy was approved in December 2016 by the Inditex Board of Directors, after favourable reports were issued by the Audit and Control Committee (now known as the Audit and Compliance Committee) and the Social Advisory Board. This Policy is available on our corporate website.

The Policy reflects our clear position as concerns the fostering of and respect for Human Rights in a cross-cutting way applied to all our fields of action and activity.

The content of this document reflects Inditex's abovementioned commitment to **fostering** respect for Human Rights, both in the labour and non-labour field, and **achieving the Sustainable Development Goals**. Similarly, based on various initiatives, projects and other policies, the Company undertakes to have a proactive role in achieving these goals, in addition to preventing and/or mitigating any potential negative impact on Human Rights that may arise from the activity we carry out.

4.4.2 Due Diligence

Through the due diligence process⁸⁴, at Inditex we identify the potential impacts our business model can have on human rights, to integrate the results into our processes and manage them effectively, always with the aim of fostering and respecting human rights throughout the value chain. **The design of due diligence processes involves key areas of the Company, such as Human Resources and Risk Management.**

As a result of this process, which we conduct throughout our value chain, the supply chain has been identified **as one of the areas where our Company can have a greater impact**. In that respect, we have specific strategies and mechanisms for its sustainable management.

At Inditex, we regularly review and update due diligence processes. In particular, **in 2020**, a year marked by COVID-19, **we have focused on the impact that the pandemic may have on Human Rights, mainly on health and safety**, both as regards internal operations and the business relations we hold with third

⁸⁴ These are complementary due diligence processes to others implemented in the Company, such as those described in section 2.6.2. of this Statement on Non-Financial Information on the Criminal Risk Prevention Model.

parties, ensuring respect for the Human Rights of the employees themselves and of supply chain workers at all times⁸⁵.

Similarly, we have continued to work on the strategies already outlined above. On the one hand, with regard to fostering Human Rights in the supply chain, the social sustainability strategy **Workers at the Centre 2019-2022**⁸⁶ has continued to be implemented. This strategy is based on the due diligence process which identified the main areas of impact in the supply chain. On the other hand, work has continued with other areas of the company on the deployment of due diligence processes. For instance, the actions carried out include **training on due diligence and human rights in the area of distribution**. The training was attended by members of the main teams: land, sea and air distribution, as well as the e-commerce area. The session underscored the identification impacts regarding human rights impacts in each of these areas.

4.4.3 Grievance mechanisms

Grievance mechanisms are **a key part** of Inditex's Human Rights Strategy, as **they reinforce our due diligence process, providing support in the identification of negative impacts** before they occur, and in cooperation to remedy the potential impact, in the event it occurs.

Inditex's main grievance mechanism on which the Group relies is the Ethics Line managed by the Committee of Ethics and available to the Company's internal employees as well as any third party with a lawful interest. They can send the Channel confidentially and, where applicable, anonymously, queries and communications related to compliance or the interpretation of internal rules of conduct.⁸⁷

⁸⁵ More information in section 2.1. Response to the global challenges arising from COVID-19 of this Statement on Non-Financial Information.

⁸⁶ More information in section 3.6. Contribution to the social-economic development of workers and the industry of this Statement on Non-Financial Information.

⁸⁷ More information on the Inditex Committee of Ethics and Ethics Line in section 2.6.2.c) of this Statement on Non-Financial Information.

5. COLLABORATE

At Inditex, we believe that all actions have a further impact when we share them or carry them out with third parties. In a year shaped by the pandemic, significant donations, arrangements and actions have been carried out to alleviate it. In addition, we continue to support communities, especially where we carry out our activity, and we maintain relevant global partnerships and commitments with civil society that manage to reinforce and add value to everything we do.

5.1 COVID DONATIONS

Related issues: Value creation; Stakeholder engagement



At the onset of the COVID-19 pandemic, we activated a **global emergency relief programme within our corporate community investment** program to which we have allocated **40.4 million euros** and which has had the aim of meeting the needs of society in this situation.



In Spain we made the Company’s full logistics and procurement capabilities available to the health authorities businesses and individuals for the purchase and transportation of health equipment.

Between the purchases made by the authorities and private donors, including those made by the Amancio Ortega Foundation and Inditex itself, we have delivered over 177 million items, which were transported in 66 flights: 2,300 ventilators, 2.8 million N95/FFP2 face masks, over 120 million surgery masks, 44 million pairs of gloves, 425,000 face shields, 540,000 protective suits, 1.5 million surgical gowns, 350 hospital tables, 1.9 million tests and 17 robots to accelerate test processing, amongst others.

With regard to Inditex, **we have allocated 24.6 million euros to purchase and donate health equipment.** Specifically, we have provided over 24 million units of personal protective equipment, which include 463 breathing machines and ventilators, 9.7 million masks, 13.7 million pairs of gloves, over 500,000 waterproof health gowns, 100,000 safety goggles and over 200,000 sanitary gels, among others.

We have also donated to the **Galician Confederation of People with Disabilities (COGAMI)**⁸⁸ **five automated production lines for manufacturing surgical masks** with a capacity to produce 15 million units per month. Thanks to this donation, valued at 1.5 million euros, COGAMI has opened a special non-profit employment centre completely set up by Inditex, which will generate jobs for people with disabilities.

In addition, we have made **140,000 waterproof medical gowns** in our own facilities which have been distributed locally via the regional authorities.

In this regard, Inditex's **participation** at UNE's request in the expert group created by the organisation to **draft the recent Spanish standard on reusable and non-reusable hygienic masks** (UNE 0064:2020 and UNE 0065:2020) together with other bodies, is worth noting. The result of this work was published and shared by UNE with standardisation organisations at European and international level.

Furthermore, we have donated **30,651 items from the Zara Home bedding collection** (blankets, sheets and pillows, among others) to health centres and homeless shelters; and **1,020,267 garments to people in need, especially affected by the pandemic**. These products have been distributed mainly through organisations with which we work on a regular basis, including charities such as the Red Cross and Cáritas and public bodies such as the city council of La Coruña, the regional governments of Galicia and Madrid and the IFEMA conference centre, among others.

In other markets affected by the pandemic where we are present, we have also made additional cash and in-kind donations.

In China, our efforts focused on the purchase of health material for distribution to hospitals, with the help of the *Tsinghua University Education Foundation* and the *Hubei Provincial Charity Federation*. Thanks to this collaboration, more than 2.5 million items of personal protective equipment have been donated.

Similarly, **in Brazil, the US, Italy, Mexico, Portugal, the UK and Romania** we have made a number of additional donations to charities such as the *Fundo Social de Sao Paulo* (Brazil); *New York Presbyterian Hospital*, *American Red Cross*, *The Door - A Center of Alternatives* and the *Food Bank For New York City* (US); *Croce Rossa* and *Fondazione Costruiamo il Futuro* (Italy); *Médicos Sin Fronteras* and *Alianza por el Centro Histórico* (Mexico); *Cruz Vermelha* (Portugal); *Women's Aid* (UK); and *Hospice Casa Sperantei* and *World Vision* (Romania), among others.

In addition, in coordination with a number of non-profit organisations with whom we work regularly, **we have reformulated our collaboration programmes** to help them address the new needs emerging around the world as a result of the pandemic. Those initiatives have focused primarily on **education around the health emergency, prevention and awareness campaigns, food security and humanitarian relief**, framed by our long-standing partnerships with organisations of the calibre of *Entreculturas*, *Cáritas*, *Medicus Mundi*, *Every Mother Counts*, *Water.org* and *MSF*.⁸⁹

- With **Entreculturas** we redirected funds allocated to the *EPGO (Educating People, Generating Opportunities)* and *On the Frontier Colombia* programmes in order to purchase equipment to help plug the digital divide which has left thousands of children and youths out of the education system; adapt and distribute educational materials for remote learning purposes; raise awareness about the hygiene measures needed to prevent transmission; provide psychosocial support to people during lockdown; and give out food and hygiene kits. Entreculturas is currently providing this aid in the following 13 markets under the scope of its cooperation with us:

⁸⁸ You can find more information in section 5.2. Community Investment, sub-section 4 Key *projects* of this Statement on Non-Financial Information.

⁸⁹ For more information, see section 5.2. Community Investment in this Statement of Non-Financial Information

Argentina, Brazil, Bolivia, Colombia, Ecuador, Spain, Lebanon, Mexico, Paraguay, Peru, South Africa, Uruguay and Venezuela.

- **Water.org** has reinforced a number of **initiatives with its local partners** in Bangladesh, Brazil, Cambodia and India to shore up prevention and hygiene in vulnerable regions and ensure the grant of microloans to fund access to drinking water and sanitation.
- Our collaboration with *Every Mother Counts (EMC)* provides quality, equitable, and safe maternity care to pregnant women in **Bangladesh, India and the US**. As COVID-19 has exacerbated the existing maternal health crisis, making it even more difficult for women to give birth safely and with dignity, EMC has expanded and deepened its support to meet the needs of mothers, their families, and those who care for them on the frontline. Inditex's grant has helped EMC to mobilise response efforts in communities especially affected by the pandemic, including providing education and telehealth support to expectant mothers and supporting the care workforce directly.
- As for our programme with **Medicus Mundi** in **Morocco**, we have worked with the regional health department in preventing the transmission of COVID-19 and lent support to garment sector workers in Morocco who have been affected by this crisis.
- With regard to our collaboration with **Cáritas**, with whom we work on training and employment initiatives in **Spain**, we have been supporting skills training projects to mitigate the economic impact of the pandemic on the most vulnerable. We have supported **alternatives for the provision of online learning and covered the expenses of adapting in-person training** for the necessary safety measures. We have also layered digital skill modules into all the training initiatives. In addition, we have guaranteed the continuity of the **Cáritas Integration Companies**, which generate safe jobs for people in a situation of exclusion. Many companies had to stop their business activity during the state of emergency and reorient them towards supporting the social needs emerging in Spain in the wake of the pandemic.
- Lastly, to note is our continued financial contribution to the **Emergency Desk operated by Médecins Sans Frontières (MSF)**. Made up of a central structure in Spain and regional teams in the **Democratic Republic of the Congo, Central African Republic and Ethiopia**, it has been battling the emergency since the onset of the pandemic. Its intervention in Spain and globally focus on three lines of work: supporting the health authorities in **providing care to patients with COVID-19, protecting vulnerable and at-risk individuals, and maintaining essential medical services**. At Inditex we have been financing MSF's emergency relief budget on a sustained basis since 2011. In 2020 we have also supported its healthcare access projects for the people of Syria, the Rohingya refugee community in **Bangladesh** and the migrant population in **Mexico**. MSF's work in these areas is centred around providing the best care and treatment possible to patients with COVID-19 and other medical problems. Collaboration with the authorities, the WHO and other key healthcare players on curbing the spread of the virus has also been promoted.

Beyond the donations made by the Company, we have also launched different initiatives aimed at facilitating the voluntary contribution of our employees to the global effort in fighting against the pandemic. As a result, these **initiatives led by our staff have raised over 1.4 million euros through solidarity projects** in the vicinity of our headquarters.

5.2 CORPORATE COMMUNITY INVESTMENT

Related issues: Value creation; Stakeholder engagement



Our corporate community investment programme encompasses the activities that illustrate the commitment to contributing to social development, especially in geographic areas where we operate. These initiatives comply with the following principles:

- They are **voluntary**, because there is no legal or contractual obligation whatsoever when it comes to making them.
- They are **charitable**, because support an organization or activity that is recognized in its geographical location and cultural context as having a clear charitable purpose. Usually the supported organizations are formally recognized as charities but can also include other organisations. These organizations are not always legally defined or registered charities but can have a purpose, or be delivering an activity, that is broadly recognized as charitable and being managed in a way so as to deliver public rather than private benefit.

In this regard, we understand corporate community investment as an **opportunity to contribute to the United Nations 2030 Agenda for Sustainable Development** through the application of our business resources, both cash and in-kind, and the time of employees that make up our staff.

Our group-wide strategy in place regarding corporate community investment is addressed in the Corporate Citizenship Policy, which is available on our website. In addition, Inditex's investment in the community mainly materialises in collaborating with specific projects.

As a result, we prioritise long-term strategic projects for specific activities, together with non-profit organisations and always subject to a thorough monitoring and accountability process, rather than one-off contributions for the general purposes of these organisations. Meanwhile, we subject the social initiatives which make up our community investment programme to a thorough process to measure inputs, outputs and impacts. For such purposes, at Inditex we use, among others, the Business Investment for Societal Impact B4SI (formerly LBG) methodology based upon the following management criteria:

- Careful assignment of contributions in the community.
- Measuring outputs obtained.
- Evaluating the impact of the components of the project separately, in order to assess, on the one hand, the origin of benefit, and on the other, the programme as a whole.

In 2020 our community investment programme has materialized in the implementation of 703 social initiatives that have directly benefited more than 3.3 million people. In a year shaped by the COVID-19 pandemic, we have intensified our efforts, especially in health-related activities, allocating over 71.8 million euros to social projects, 46% more than the previous year. **The total contribution to community investments related to COVID-19 has amounted to 40.4 million euros⁹⁰.**

⁹⁰ For more information, see section 5.1. *COVID Donations* of this Statement on Non-Financial Information.

Corporate Community Investment 2020

INPUTS



€ 71.8
millions
Corporate Community
Investment



178,000
Paid-time hours devoted by
employees to social causes



4.1 millions
Garments donated



97%
Contributions driven by
strategic investment



703
Community projects
implemented



92%
Investment in priority
geographical areas

OUTPUTS



439
Community
organisations supported



3.3 millions
Direct beneficiaries
reached



38.5 millions
Leverage

IMPACTS

On people



351,000
Experienced behaviour
or attitude change



50,000
Experienced an impact
on skill development



1.2 millions
Experienced an impact
on their quality of life

On community organisations



89%
Improved management
processes



81%
Reached more or more
time with clients



87%
Taken on more staff or
volunteers

On our employees



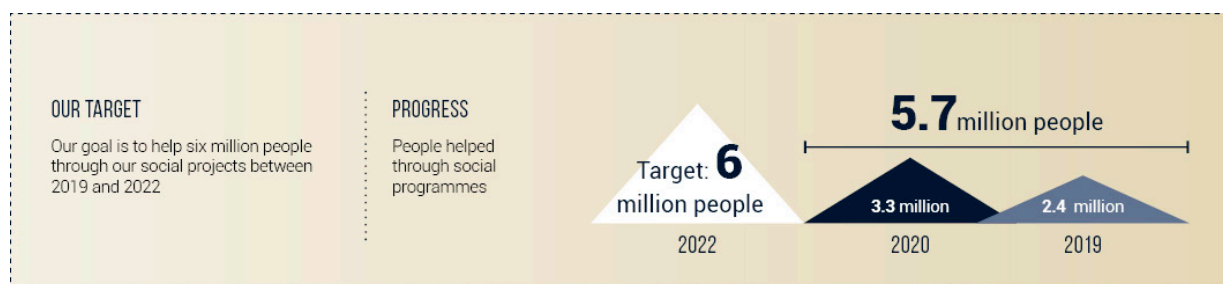
95%
Improved job-related
skills



100%
Improved their life skills



100%
Changed their behaviour
or outlook



5.2.1 Inputs

As for the form of contributions, the information is classified into the following categories:

- **Cash** contributions, which is the aggregate amount invested by Inditex in social programmes together with non-profit organisations.
- **Time** contributions, which is the proportional cost to the company of employees' time paid by the company but spent on community activities of a social nature during working hours.
- **In-kind** contributions, which include donations of products —garments, mainly— to charities.
- **Management costs**, which refer to estimated expenses which are incurred by the company for general management of social programmes.

In 2020 we have significantly increased cash contributions compared to previous years. In addition, in line with the strategy defined in our Corporate Citizenship Policy, we have considerably boosted the time contributions of employees during working hours as well as the in-kind contributions.

As a result, **we have donated over 4.1 million items to social causes, and our employees have spent more than 178,000 of their working hours on social initiatives, many of the carried out with the aim of mitigating the negative effects of the pandemic.** General management costs have also grown as a consequence of the increased contributions.

Form of contribution (in euros)	2020	2020%	2019	2019%	2018	2018%	Variation 2018-2020
Cash	50,247,787	70%	33,248,048	68%	30,109,825	65%	67%
Time	5,341,060	7%	3,668,531	7%	3,542,309	8%	51%
In-kind	15,046,374	21%	11,684,094	24%	11,935,563	26%	26%
Management costs	1,168,380	2%	631,236	1%	631,198	1%	85%
TOTAL	71,803,602	100%	49,231,909	100%	46,218,895	100%	55%

Likewise, we at Inditex report our voluntary contributions to the community, according to the following classification:

- **Charitable gifts**, which consist of institutional donations to the general goals of non-profit organisations.
- **Community investment**, as part of the long-term strategic commitment in collaborations with the community to support specific social activities.
- **Commercial initiatives in the community**, which are initiatives of social interest directly related to the company's retail activity.

In 2020, contributions driven by strategic investment (community investment and commercial initiatives in the community) have increased significantly with the aim of continuing to maximise the effectiveness of our social projects in line with the strategy defined by our Corporate Citizenship Policy.

Driver for contribution (in euros)	2020	2020%	2019	2019%	2018	2018%	Variation 2018-2020
Charitable gifts	1,915,938	3%	1,633,093	3%	1,801,149	4%	6%
Community investment	55,242,082	78%	36,668,336	75%	36,179,975	79%	53%
Commercial initiatives in the community	13,477,202	19%	10,299,244	21%	7,606,572	17%	77%
TOTAL	70,635,222	100%	48,600,673	100%	45,587,697	100%	55%

management costs excluded

As for issues addressed, **34% of our corporate community investment was made, extraordinarily, towards the health sector**, by donating medical supplies due to the health crisis. With respect to the focus areas defined in the Corporate Citizenship Policy, 56% of the investment in social programmes has been used in activities related to social welfare, education and emergency relief.

Issue addressed (in euros)	2020	2020%	2019	2019%	2018	2018%	Variation 2018-2020
Education	7,518,126	11%	8,501,897	17%	7,468,318	16%	1%
Health	24,198,243	34%	2,798,355	6%	3,861,618	8%	527%
Economic development	1,220,854	2%	1,304,020	3%	1,610,820	4%	-24%
Environment	4,680,860	7%	5,446,742	11%	3,586,327	8%	31%
Arts and Culture	988,654	1%	1,221,122	3%	870,924	2%	14%
Social Welfare	21,506,246	30%	19,646,921	40%	19,098,184	42%	13%
Emergency Relief	10,522,239	15%	9,681,616	20%	9,044,621	20%	16%
Others	0	0%	0	0%	46,883	0%	n/a
TOTAL	70,635,222	100%	48,600,673	100%	45,587,697	100%	55%

of management costs excluded

With regard to the territories where social programmes are implemented, **our Company gives priority to regular contributions to the communities made at corporate level in such geographic areas where the Group operates**, namely at Inditex clusters (defined and listed in section 3.6 Contribution to the socioeconomic development of workers and industry of this report). Likewise, the Group's subsidiaries act within their borders in terms of social programmes, implementing projects in proximity that maximise the positive impact thereof within their sphere of influence. As a result, we have targeted 92% of the community investment to projects carried out in priority markets, in terms of supplier cluster locations – 74% – and our store localisation markets – 88% –. The investment in social programmes broken down by location of activity is as follows:

Location of activity (in euros)	2020	2020%	2019	2019%	2018	2018%	Variation 2018-2020
Spain	41,228,603	58%	17,529,175	36%	20,297,453	45%	103%
Europe (excl. Spain)	7,316,927	10%	7,464,704	15%	5,643,921	12%	30%
Americas	10,357,432	15%	13,328,564	27%	10,208,058	22%	1%
Asia and Rest of the World	11,732,259	17%	10,278,231	21%	9,438,265	21%	24%
TOTAL	70,635,222	100%	48,600,673	100%	45,587,697	100%	55%

management costs excluded

As for the contribution made by the Inditex to the UN Sustainable Development Goals, the primary and secondary SDGs, if applicable, have been identified for the social initiatives developed during the year. As a result of the pandemic, **during 2020 the activity in community investment has focused on SDG 3**. In addition, and in line with our activity, **we have contributed significantly to SDGs 4, 5, 8, 10 and 12**. Specifically, we have allocated 94% of the investment in social programmes to social initiatives that have had one of these SDGs as their main objective.

SDGs (in euros)	2020	2020%	2019	2019%	2018	2018%	Variation 2018-2020
3. Good health and well-being	28,371,255	40%	7,375,925	15%	7,260,232	16%	291%
10. Reduced inequality	12,901,353	18%	9,682,236	20%	9,294,145	20%	39%
12. Responsible production and consumption	9,729,241	14%	8,818,385	18%	7,745,279	17%	26%
8. Decent work and economic growth	7,259,969	10%	7,859,961	16%	8,334,396	18%	-13%
4. Quality education	4,958,119	7%	5,405,862	11%	5,824,809	13%	-15%
5. Gender equality	3,422,346	5%	2,581,715	5%	1,687,518	4%	103%
Others	3,992,939	6%	6,687,997	14%	5,441,318	12%	-27%
TOTAL	70,635,222	100%	48,412,082	100%	45,587,697	100%	55%

of management costs excluded

5.2.2 Outputs

In 2020, we have developed 703 social initiatives, compared to 670 implemented in the previous year. These initiatives have directly benefited 3,313,581 people, 36% more than in the previous year. With regard to direct beneficiaries, below is a breakdown by situation:

Situation of direct beneficiaries	2020		2019		2018		Variation 2018-2020
	No. of people	%	No. of people	%	No. of people	%	%
Living in developing countries	1,036,549	31%	923,118	38%	851,196	35%	22%
Refugees	128,835	4%	131,085	5%	315,130	13%	-59%
In situation of vulnerability	65,452	2%	219,275	9%	595,727	25%	-89%
Immigrants	39,473	1%	92,601	4%	101,171	4%	-61%
Other profiles ⁹¹	2,043,272	62%	1,075,221	44%	562,415	23%	263%
TOTAL	3,313,581	100%	2,441,300	100%	2,425,639	100%	37%

With respect to the number of community organisations supported by Inditex in 2020, we have contributed to a total of 439 entities (see sections 5.1. "COVID donation"s and 5.2. "Corporate Community Investment", sub-section "Key projects"). In 2019 and 2018, the number of beneficiary community organisations were 421 and 413, respectively.

With regard to the leverage, the additional resources raised by our social programmes as a result of the contributions made from sources other than the Company —employees, customers, etc.— amounted to 38.1 million euros in 2020. Most of the leverage generated refers to the Water.org initiatives -through the additional capital mobilised by microfinance institutions- and *Moda Re-* -through the value of collected clothing- and the donations made by our employees through payroll giving schemes.

5.2.3 Impacts

a) Community impacts

- IMPACT ON PEOPLE

We analyse the effects on beneficiaries resulting from social programmes implemented, both in terms of depth and of type of impact.

In terms of the **depth of the impact**, the effects the projects have on beneficiaries are broken down into the following three categories, where the numbers recorded under each of the depth of impact level are mutually exclusive:

- **Connection:** people reached by an activity who have reported some limited change as a result of an activity.

⁹¹ "Other profiles" refers to people ill or suffering a disease, with low income, with a disability, unemployed or belonging to ethnic minorities, among others.

- **Improvement:** people who have experienced a substantial improvement in their lives as a result of the project.
- **Transformation:** people who have reported an enduring change in their circumstances, or for whom a change has been observed, as a result of the improvements made.

With regards to the **type of impact**, the changes experienced by beneficiaries are broken down into the following three categories. In this case, the same beneficiary can experience more than one type of impact:

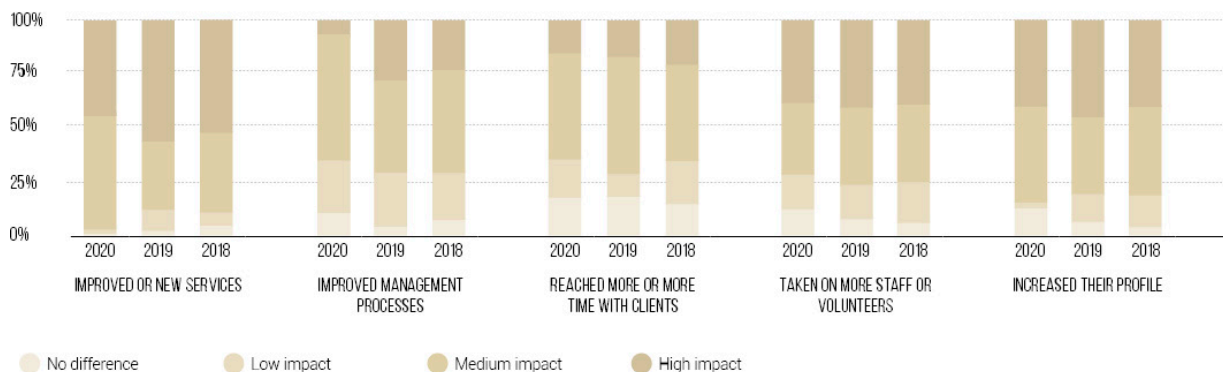
- **Behaviour or attitude change:** the activity has helped generate behavioural changes that improve the life of the people. Likewise, the activity has enabled a change in negative attitudes or prejudices, allowing people to make better decisions.
- **Skills or personal effectiveness:** the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, in the workplace or socially.
- **Quality-of-life or well-being:** the activity has helped people to be healthier, happier or more comfortable, through improved emotional, social or physical well-being.

Impact on people	2020	2019	2018
Number of direct beneficiaries where results were measured	3,272,473	2,406,380	2,401,131
Depth of impact (no. of beneficiaries that:)			
Made a connection as a result of the initiative	2,147,665	1,108,752	599,741
Made an improvement as a result of the initiative	791,219	890,818	1,450,128
Made a transformation as a result of the initiative	333,589	406,810	351,262
Type of impact (number of beneficiaries that:)			
Had a positive change in behaviour or attitude	351,101	374,548	324,788
Developed new skills or an increase in their personal effectiveness	50,079	71,321	59,921
Experienced a direct positive impact on their quality of life	1,158,212	1,300,898	1,743,085

- **Impact on community organisations**⁹²

In addition to analysing the impact of our social projects on individuals we assess the effects on the community organisations that benefit from the implemented social projects.

⁹² Evaluation of the impact made on the 75 employees who volunteered in 7 countries



2020: Impact assessment carried out on 241 community organisations supported by Inditex, on 75 long-term strategic projects.
 2019: Impact assessment carried out on 207 community organisations supported by Inditex, on 72 long-term strategic projects.
 2018: Impact assessment carried out on 237 community organisations supported by Inditex, on 81 long-term strategic projects.

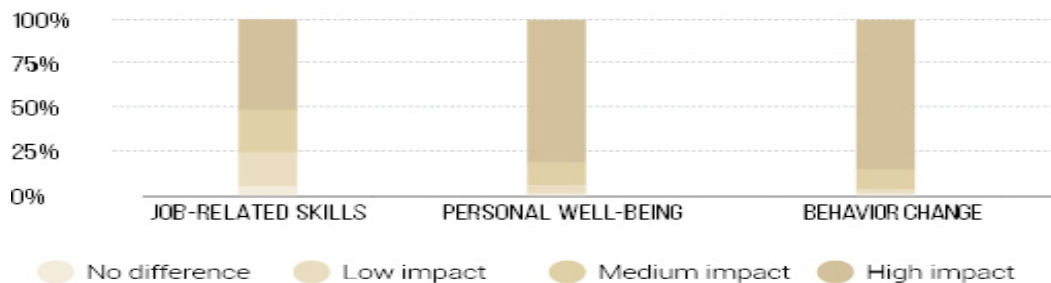
b) Business impacts

In addition to assessing the impact on the community, on both people and community organisations, we analyse the Company's return on investing in social programmes from the perspective of the participating employees and the business itself.

- IMPACT ON EMPLOYEES

The impact on participating employees refers to the change produced once the social initiative promoted by the Company has been completed. The methodological framework we use asks by means of surveys, regarding 15 sub indicators to calculate the impact on participating employees and gathers them in three key indicators: development of skills, personal improvement and positive change of perception in the Company.

- **Job-related skills:** improvements in core, job-related competencies such as communications, teamwork or leadership skills
- **Personal impact:** changes in areas like self-confidence, job satisfaction and pride in the company
- **Behavior change:** changes in behavior such as increased volunteering or being more vocal advocate of the company

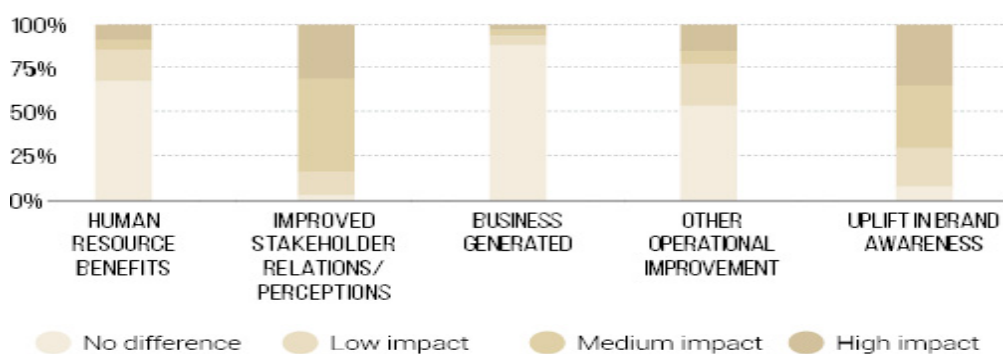


2020: Impact assessment carried out on 75 employees volunteering in 7 countries.

- **IMPACT ON THE BUSINESS⁹³**

With regard to the impact on the Company itself, we analyse the return according to the following five areas:

- **Human resource benefits:** improvements to the business through engagement, recruitment and performance linked to community activity.
- **Improved stakeholder relations/perceptions:** improved the perception of external stakeholders, especially opinion formers, as a result of community engagement.
- **Business generated:** contribution to new business such as increased sales tied to cause-related marketing or new market opportunities.
- **Other operational improvement:** increased resilience in the supplier and/or distribution chain, among others.
- **Uplift in brand awareness:** generation of business benefit through an uplift in brand awareness via, for example, increased media coverage or public awareness



2020: Impact assessment carried out on the 703 social initiatives implemented in 2020.

5.2.4 Key projects

a) Education

EPGO III programme



The EPGO III Programme was launched in 2020 as a three-year initiative that sets forth the collaboration between Entreculturas and Inditex in three lines of action: education, employment and humanitarian aid. The programme aims to expand the opportunities of more than 200,000 people, especially girls and women. In the third edition of EPGO, Spain joins the list of the participating countries (Argentina, Bolivia, Brazil, Ecuador, Lebanon, Mexico, Paraguay, Peru, South Africa, Uruguay and Venezuela) in four projects focused on vulnerable groups and those at risk of social exclusion.

The impact of the pandemic and the imposed restrictions in all countries underscored the first year of the programme and have created new needs and challenges in the population being served. COVID-19 has led to an educational crisis affecting 91% of the school population, and various consequences have come

⁹³ Evaluation of the impact made on the 703 social initiatives implemented in 2020

with it, including food insecurity in children, a lack of safe spaces and a widening digital divide. For this reason, EPGO III Programme projects have been adapted to respond to new issues.

Throughout the year, Entreculturas and its partners on the ground have assisted 76,667 people with the support of Inditex. Of these, 14,972 have accessed quality education, 12,569 have received vocational training, 4,056 have received healthcare and 4,009 have obtained employment, among others.

Chair of Refugees and Forced Migrants



Since its creation in 2016, the Inditex Chair of Refugees and Forced Migrants at the Comillas Pontifical University has conducted a range of activities related to research, field work, dissemination and awareness on migratory phenomena.

On the one hand, collaboration with organisations working on the ground with forced migrants and refugees is ongoing. As a result, in 2020, a total of 17 postgraduate students from master's programmes in cooperation and migration completed internships at national and international organisations — SJR, Entreculturas, SJM — in order to work directly with migrants in countries such as the D.R. Congo, South Africa, Ethiopia, Cameroon, Belgium, Greece, Spain, and others.

The Chair has also begun research into understanding the reality of refugees and migrants and improving the programmes and projects working on their behalf. The Chair is a pioneer in the study of the integration process and the official reception system in Spain. A second line of ongoing research has to do with a national survey of refugees and immigrants in Spain. On the other hand, the Chair is currently in the phase of analysing the results of extensive research on coexistence and/or conflict between the native population and immigrants in working class neighbourhoods. Finally, a survey of refugees and migrants is being prepared to expand the field of study.

Three doctoral theses are also underway on related topics: social and labour integration of migrants in rural areas; integration and social capital; and a gender-based analysis of the Spanish refugee reception and integration system. All are being carried out in collaboration with research centres — Deusto, Harvard University, Oxford University, Ramón Llull University, and others — and with social organisations — SJM, Cáritas Española, OXFAM Intermón, the Mexican Embassy in Spain, Save the Children, and others — in order to guarantee academic quality and that results are disclosed to society.

The Chair has been highly active in raising awareness and transferring knowledge on the matter through various means: national and international conferences, presentation of results, media presence and a permanent seminar on refugees featuring participation by the main social and academic organisations in the sector, among others. The seminars cover diverse and current topics from integration policies and practices in the United Kingdom to guaranteed minimum income and regularisation processes in Spain.

Chair of Spanish language and culture



The Inditex Chair of Spanish language and culture at the University of Dhaka (Bangladesh) is a cooperation project between the local university and the Universities of A Coruña and Santiago de Compostela. It has

been active in Bangladesh since 2011 and has a staff of five Spanish teachers and two local teaching assistants who are being trained by the professionals in charge of the project.

Currently, the Chair teaches Spanish to 520 Bangladeshi students, half of whom are women, and organises cultural activities open to all students at the University of Dhaka and the society at large. The health emergency resulting from the COVID-19 pandemic forced the University of Dhaka to cancel its activities in March 2020 and create alternative online courses. The pandemic has also affected cultural activities, which have been reduced to a Hispanic study seminar, several workshops and a concert.

Inditex-UDC Collaboration programmes



- *InTalent* programme

The InTalent Programme was launched by the University of A Coruña (UDC) and funded by Inditex to recruit, reward — where applicable — and manage excellent research talent. To do this, post-doctoral researchers with international projection and broad experience are recruited on a competitive basis from anywhere in the world.

Researchers who enter the programme must demonstrate a minimum of three years of post-doctoral experience, at least two years of international experience in renowned R&D centres, an excellent research career, the ability to generate new knowledge, potential as independent researchers and a promising scientific career.

InTalent offers selected researchers a contract with a competitive salary to provide professional stability and a budget allocated for their project. Researchers will also teach UDC undergraduates and postgraduates and collaborate with the institution on outreach activities.

Three selection processes were carried out during the first four years of the programme, featuring the participation of 316 researchers of 48 different nationalities. The six researchers selected are renowned scientists in fields as diverse as the biomedical development of smart sensors for degenerative diseases and nanomaterials for cell regeneration; the acquisition of biomaterials for the regeneration of cartilage in humans; social anthropology in rural communities; historical disruptions in the process of transforming medieval culture into modern culture; gender inequality in the public sphere; and exploring rendering and lighting techniques for scientific visualisation.

InTalent researchers have managed to access external sources of funding through excellent science programmes, which will bring UDC nearly seven million euros in revenue. This means a return of nearly five euros for every euro invested in the programme.

In addition, thanks to the traction of the InTalent Programme, UDC has improved its position and appeal when it comes to attracting new researchers. This has been reflected in two ways: greater interest from researchers in emphasising UDC and a higher number of applications submitted by the University to highly competitive individual calls.

- **Assistance programme for pre-doctoral residencies abroad**

The Inditex-UDC Predoctoral Residency Grant Programme has been operating since 2013 under the collaboration agreement between UDC and Inditex for the internationalisation of doctoral studies.

The grants fund pre-doctoral research residencies in universities and research centres abroad, with the aim of complementing students' doctoral training and giving them the opportunity to obtain an International Doctorate Mention. In addition, this program reserves 5% of grants for students with disabilities in order to promote diverse and inclusive research environments.

Since its inception, 206 students from UDC's doctoral programmes have completed their residency in 27 countries around the world, mostly in Europe and America (United States, United Kingdom, France, Germany). This makes it a strategic programme aimed at the internationalisation of UDC research groups, as it lays the groundwork for partnerships with other research teams.

The Inditex-UDC Predoctoral Residency Grant Programme has a significant impact on talent promotion and the internationalisation of doctoral studies at UDC. Evidence of this is the increasing rate of theses with international mention defended at UDC: from 14% in 2012 to 48% in 2020.

Inditex-UDC Sustainability Chair

The Inditex-UDC Sustainability Chair is a knowledge transfer initiative with the University of A Coruña to promote sustainability and social responsibility within the university community and throughout society in general. It was created to encourage community debate, academic training and applied research on sustainability and social innovation in public authorities, universities, companies and non-profit entities.

As part of its training component, the ninth edition of the Sustainability and Social Innovation Specialism Course (CESIS) was held in 2020, and 269 students now hold this UDC qualification. In 2020, 134 pre-registrations were received, 27 students participated and 11 received tuition grants provided by Inditex. Held partially online as a result of the pandemic, the course lasts 625 hours distributed among regular sessions, seminars, workshops, tutorials, conferences and company visits. Teaching is led by instructors from the professional world and from UDC and other centres, as well as 34 guest professors.

In an effort to promote the transfer of knowledge, CESIS students developed five service-learning projects in 2020 in collaboration with local non-profit entities and companies. Likewise, action plans were drawn up in response to the challenges faced in economic, social and environmental sustainability and governance. This edition enjoyed the collaboration of AO Mayores, the Red Cross of Galicia, Galega de Economía Social and TEXFOR.

In terms of outreach, the Chair held the ninth edition of the Open Source conference series, with the participation of Ezequiel Reficco, associate professor at EGADE Business School, TEC de Monterrey; and Anxo Queiruga Vila, president of COGAMI.

In the field of applied research, the Chair has continued its discussions on teaching innovation in sustainability. Following a peer review process, the first assessment study on the Chair's social impact has been published in the International Journal of Sustainability in Higher Education, under the title "Enhancing the effects of university education for sustainable development on social sustainability: the role of social capital and real-world learning".

Chair of Disability and Employability



The TEMPE-APSA Chair of Disability and Employability at the Miguel Hernández University of Elche (Spain) aims to promote training and research to improve the integration of people with disabilities in the labour market.

Among the activities carried out in 2020, the third year of the Diploma in Auxiliary Store Tasks stands out. It was completed by a total of 16 students with intellectual disabilities, several of whom have since gained employment in regular companies.

In addition, within the framework of the Erasmus Plus programme, the Chair is leading the strategic action "Universities for labour inclusion of people with intellectual disabilities", featuring the participation of the University of Calabria, Thomas More Kempen University (Belgium), Institute for Inclusive Education (Kiel, Germany) and K-Veloce, a company focused on innovation. The project works to design a common curriculum for post-secondary training of people with intellectual disabilities that can be recognised by the European Union.

In March 2020, the Second Scientific Conference on Proposals and Challenges for Inclusive Education was held. Organised by the Chair, it featured the participation of more than 150 professionals from the Valencian Community and the Autonomous Region of Murcia.

b) Social Welfare

for&from programme



for&from is an integration programme for people with disabilities that works by launching retail establishments under the image of the Group's different brands. These stores are managed by non-profit entities and catered for by people with disabilities. Following an initial investment by Inditex to build the store, the model becomes self-sustainable for the social organisations through product sales.

All *for&from* establishments provide clothes and accessories from the previous season at competitive prices. Profits are reinvested entirely in the managing organisations in order to fund projects that provide care for people with disabilities. The programme currently has 15 stores that generate over 200 jobs. In 2020, turnover exceeded nine million euros, which was fully reinvested in social organisations: Molí d'en Puigvert Foundation, the Galician Confederation of People with Disabilities (COGAMI), the non-profit cooperative Moltacte, the Association for People with Mental Disabilities of Alicante (APSA), the Prodis Foundation and the Fondazione Cometa.

Salta Programme



Salta is an integration programme that offers training and employment opportunities to young people at risk of social exclusion. It was founded in France in 2008 as Project Jeunes before coming to Spain in 2010.

Salta aims to give employment opportunities to vulnerable persons in our stores, factories or logistics centres. The project's positive reception and results have led to its implementation in 13 countries: Germany, Brazil, South Korea, Spain, the United States, France, Greece, Italy, Mexico, Poland, Portugal, the United Kingdom and Turkey.

Thanks to the Salta Programme and the nearly 3,000 employees who played their part as trainers, tutors and mentors to guarantee adequate hiring and adaptation to the position, a total of 1,396 people have been trained and hired by Inditex. Also essential to this initiative is the collaboration of more than 40 social entities that support us when selecting, training and following up with beneficiaries.

In 2020, Salta has shown it is a resilient and flexible project that is capable of adapting to the new context of the pandemic. As a result, 100 people from various teams have trained and guided more than 150 participants from different non-profit organisations to improve their employability through online workshops on self-esteem, CV preparation, active job searching on social media, styling and job interview simulations, among others.

In addition, this new format was also bolstered with an individual mentoring programme through which each participant is assigned an Inditex employee to go over the contents of the training sessions.

Moda Re-



2020 is the fourth year of the programme dedicated to managing the end-of-life of textile products in collaboration with Cáritas. This collaboration, to which Inditex has allocated seven million euros for the 2016–2022 period, has brought about the creation of the Moda Re- Programme by Cáritas.

Moda Re- is a project dedicated to the collection and treatment of used textiles for recovery and reuse in line with a sustainable business model based on the circular economy and within Cáritas Española's social and solidarity-based economy. It works to create employment for vulnerable persons through the collection, recycling and reuse of used clothes.

In addition to reintegration into the workplace and improving the condition of the clothes received by those in need, the project has an environmental component, not only due to the reuse and recovery of clothing, but also on account of the techniques used in the treatment and recycling plants.

The project is self-sustaining, as it invests all its revenue in its own development and growth through the promotion and creation of the largest network of second-hand clothing stores in Spain. Thanks to Inditex's support for this initiative, more than two million items of clothing have been donated to vulnerable persons, 2,090 containers have been installed in Spain, more than 61,000 tons of clothes have been collected, 24 second-hand clothing stores have been opened or upgraded and 360 jobs have been

created, of which 180 are held by people in risk of social exclusion. The programme currently has more than 100 Moda Re- stores in Spain.

Employment and training programme in Spain



Inditex has supported the **Cáritas Employment Programme** since 2011, whose aim is to promote access to decent employment for persons in a situation of vulnerability. Its main lines of action are:

- c) The promotion of social economy initiatives that generate employment in a protected environment, which allows bridges to be established between the situation of the person and the demands of the ordinary labour market.
- d) Support for people in situations or at risk of exclusion, who have an entrepreneurial interest and capacity and can achieve their socio-labour insertion through self-employment.
- e) The improvement of **professional training**, as a basic requirement to promote their employability.

In 2020, due to the crisis brought on by the COVID-19 pandemic, we had to adapt our actions to online methodologies and reorganise the job placement companies.

Likewise, thanks to collaboration with Inditex, 31 social economy projects, 38 training projects, with 76 funded courses and 1 self-employment project were consolidated. As a result, 1,432 people have improved their employability, 930 have improved their professional training and 686 have found a job.

Alentae



Alentae is an initiative of the Galician Confederation of People with Disabilities (COGAMI), run in close collaboration with Inditex, who sponsors the creation of a special employment centre for the manufacturing of surgical face masks, and whose aim is the integration of people with disabilities into the workforce. This health material will be marketed by the non-profit organisation with the aim of contributing to its social purposes.

Inditex's support of this project has entailed the donation of five automated production lines, valued at €1.5 million, with a production capacity of 13 million units per month. The machinery has been installed at a site belonging to COGAMI in the Bergondo Industrial Park (A Coruña, Spain), where 25 jobs linked to this activity will be created. In addition, the facilities have been fully equipped by Inditex to meet the requirements established by the Spanish Agency for Medications and Healthcare Products. Production is expected to kick off in 2021.

A Flote



Since 2017, the Emalcsa Foundation and Inditex have worked jointly on the social integration and social benefits programme A Flote. This three-year agreement provided stability to the programme and helped broaden its goals and improve the social integration expectations of its beneficiaries from the geographical area of A Coruña (Spain).

The agreement was renewed for a further three years in August 2020, within the framework of the global COVID-19 pandemic. The health emergency had an important and immediate economic and social impact on the most vulnerable families. Inditex's support in this context allowed the most basic needs of these particularly vulnerable groups in the area of A Coruña to be met immediately.

The corresponding decrease in the subsistence economy, the closing of hostels and guest houses and mobility restrictions made it imperative to adopt measures to meet two basic needs: food aid and enable emergency accommodation.

In addition, it was necessary to continue with the normal activity of the A Flote programme in order to avoid the eviction of people and families without the capacity to pay rent and whose vulnerable situation was significantly aggravated in this context.

In 2020 a total of 802 social emergency benefits were managed through A Flote, of which 522 were requested by women and 280 by men. A total of 1,916 people live in these family units, 650 of whom are minors. Of the 802 benefits processed, 405 correspond to families with dependent minors, which is 50% of the total.

China Programme



In 2020 Inditex continued reinforcing its long-term relationship with the main entities with which it collaborates in community investment in China.

As a consequence of the COVID-19 pandemic, the initiatives implemented in the scope of academia and research with the Tsinghua University, with which Inditex has been collaborating since 2016, were temporarily suspended in 2020 and will be resumed throughout 2021. In this context, cooperation with this educational institution was focused on the agreement established with its foundation to bring health material to China for a value of over €1 million. The 2.5 million units of protection material for medical personnel transported by Inditex were distributed directly by the Tsinghua University Education Foundation based on the requests of the country's health authorities.

In addition, Inditex launched a cultural promotion project together with the professors and students at the University's School of Art and Design. As a result, some of the participants enjoyed the opportunity of exhibiting their works at the Zara flagship store on Beijing's Wanfujing street.

In the scope of social welfare, Inditex's contributions in 2020 were primarily made through the Shanghai Charity Foundation. In this case, computer equipment was donated to more than 15,000 students with limited resources. Likewise, the sanitation and lighting infrastructures of Yunnan, in Southwest China, were improved.

In addition, Inditex contributed with in-kind donations to disadvantaged groups through various organisations. Similarly, the company collaborated with the online charity store in China, Buy42.com, the income of which is entirely allocated to the employability and training of people with needs; with the orphanages of SOS Children Village; and with the China Environmental Protection Foundation, dedicated to reusing clothes.

With regard to volunteering, it is worth noting that nearly 400 employees have been involved in reforestation projects promoted by the *China Youth Development Foundation*, with which Inditex has been developing the *Hope School* project since 2015, to build schools in rural areas.

Medicus Mundi Programme



Medicus Mundi collaborates with Inditex in Morocco with the aim of improving the social-healthcare situation of textile company workers in the Tangier-Tetouan-Al Hoceima region. In a year dominated by the impact of the COVID-19 pandemic, the efforts of Medicus Mundi have been significant in promoting the healthcare, social and labour rights of these workers through the promotion of coordination and cooperation between organisations of civil society, public authorities and companies in the clothing sector.

In spite of the pandemic having had significant effects on some activities, such as a reduction of the number of people who have been able to benefit from medical tests carried out at the Social Security's Caja Nacional Polyclinic (with 357 participants -218 women and 139 men- vs. the 1,200 people planned), the project has been able to adapt and respond to the situation of factories closing due to the crisis.

In this way, Medicus Mundi has supported a total of 785 women by distributing emergency food aid during the lockdown period. In addition, health and hygiene materials have been delivered to the Regional Directorate of Health in Tangier, and informative posters and materials giving advice on COVID-19 prevention measures have been distributed.

From September 2020, Medicus Mundi resumed its training activities on labour rights, gender equality and gender-related issues to turn previously trained workers into teachers. Medicus Mundi has also trained the personnel of the Health and Safety Committees of six companies and workers' delegates on issues related to occupational risks.

Every Mother Counts Programme



In March 2020, Inditex renewed its three-year agreement with Every Mother Counts (EMC), which plans to allocate \$1.5 million to projects in the United States and Bangladesh. The programme focuses specifically on the provision of high-quality, respectful, and equitable prenatal, childbirth, postpartum and newborn care and support for pregnant and childbearing women, as well as maternal health public outreach, education, and community mobilisation.

The support of Inditex has enabled Every Mother Counts to partner with the HOPE Foundation for Women and Children of Bangladesh to provide services for women and children in Cox's Bazar. The services

include pregnancy, childbirth, postpartum, and neonatal care, as well as education on breastfeeding, newborn care, and family planning. In 2020, and within the framework of this partnership, HOPE Foundation was able to reach over 8,000 women, along with their children, with this care and education. In addition, they trained 350 individuals on health-related areas.

In the United States, the agreement with Inditex has facilitated Every Mother Counts partnerships with four community-based non-profit organisations: Commonsense Childbirth -based in Florida-; Changing Woman Initiative and Tewa Women United, both from New Mexico; and SisterWeb, from Florida. These partners have provided access to high-quality prenatal and postpartum care, perinatal support, education, and social support services for nearly 1,600 low-income women and their babies.

Awareness-raising and community mobilisation activities have also been implemented, including virtual races, film screenings and debates, among other initiatives. In 2020, EMC documentary films and videos reached over two million viewers, including the launch of a series of short films called Delivering HOPE, which uplifts the stories of frontline maternal health heroes in Bangladesh, India, and Guatemala.

Water.org Programme



We have been collaborating with the non-profit organisation Water.org since 2015 to improve access to drinking water and sanitation for vulnerable families in Bangladesh, Cambodia and India, three of the principal regions where our suppliers are based. The aim of the programme is to increase beneficiaries with microcredits to low-income women in developing countries. Through this market-driven model, low-income people get access to affordable loans to cover their water and sanitation needs. Based on the philanthropic contribution of Inditex, an additional \$168 million was mobilised, which allowed 366,000 loans to be granted. As a result, more than 1.5 million people have improved their access to water and sanitation.

Our partnership with Water.org gained momentum in 2020 with the signing of the new four-year agreement Empowering women and families with access to water and sanitation. This agreement, funded by Inditex with six million dollars, materializes in a new comprehensive programme to accelerate and expand access to safe drinking water and sanitation for people living in poverty in India, Cambodia and Bangladesh. The programme also provides for new global initiatives to help those who need these two essential services.

Throughout 2020, more than 357,000 people in these three countries gained access to sanitation and water solutions for their homes that changed their lives. In each country, Water.org worked with local financial institutions to expand the availability of affordable microcredits for local water and sanitation solutions. As a result, 80,812 loans have been disbursed and more than €28 million of capital has been mobilised as a leverage.

In addition, Water.org has developed a new global credit enhancement mechanism called Global Credit Enhancement Facility, which aims to stimulate the granting of loans by commercial banks for domestic water and sanitation services. Following the initial launch in India, the knowledge acquired will be applied to facilitate expansion to other countries.

In India, and with its local partner, Action for Social Advancement, Water.org has launched an initiative to help 2,100 organic cotton producers gain access to safe drinking water and household sanitation through microcredits.

Today, more than ever, access to safe water and sanitation is critical to the health and resilience of the global community. Handwashing is a front-line defense at home, yet that simple act is impossible without water. And without a toilet at home, public facilities make social distancing challenging. Inditex's support of Water.org in 2020 helped make health and resilience possible for families around the world.

c) Emergency Relief

UNHCR programme



In 2020 Inditex and UNHCR launched an ambitious in-kind donation programme aimed at meeting the clothing needs of refugees in different parts of the world. By means of this initiative, which the company is carrying out in collaboration with several suppliers, Inditex is supporting UNHCR in the task of clothing and helping to restore the dignity of refugees who have been forced to leave their homes and all their belongings behind.

Specifically, several new clothing deliveries were made to different refugee camps in Rwanda and Ethiopia in 2020, in a donation of more than 870,000 items to approximately 250,000 persons in both countries. Thanks to this partnership thousands of people will receive more than clothes, as the donation does not only protect their physical well-being, but also provides them a psychological boost, help restore their dignity and contribute to a sense of normalcy.

Access to health care for the Rohingya refugees in Bangladesh



In southeastern Bangladesh, in the Cox's Bazar region, nearly one million Rohingya are surviving in harsh conditions after fleeing Myanmar. For the time being, the COVID-19 pandemic has not hit excessively hard the population of Rohingya. However, the mobility restrictions and closing of borders have significantly reduced the presence of humanitarian aid in the area.

In 2020, the Médecins Sans Frontières (MSF) teams deployed at Cox's Bazar have focused their efforts on secondary maternal and childcare. Pregnant women and children under the age of 15 are the most vulnerable in contexts of displacement and famine, such as that lived by the Rohingya. The lack of food and water and the bad hygiene conditions affect their health. In this context, MSF continues to work towards improving the quality of care and access to the free services at the maternity and children's hospital in Goyalmara and at the maternity hospital in Unchiprang. In both buildings spaces have been enabled to treat possible suspected cases of COVID-19.

With our support, the MSF teams have carried out 31,520 outpatient consultations and 6,112 hospital admissions. Additionally, the vaccination record of 3,730 children has been updated and 1,502 births have been attended to. A total of 14,827 patients have required mental healthcare.

Access to healthcare for the migrant population in Mexico



Mexico is a country of transit, destination and return of migratory flows from Central America (El Salvador, Honduras and Guatemala) to the United States. The people who decide to embark on the journey had to leave their homes because of poverty, marginalisation and violence. The route, full of danger, found its borders closed in 2020 due to COVID-19 and the lack of protection measures.

Médecins Sans Frontières (MSF) teams are present in various migrant shelters and staging points, where they offer basic medical and psychological consultations. In addition, they have a Comprehensive Care Centre in Mexico City that provides specialised medical care to migrants and refugees who are victims of violence.

In 2020 they have assisted migrants in border detention centres and quarantine centres for COVID-19 cases. Specifically, and thanks to the support of Inditex, MSF professionals carried out 9,997 outpatient consultations and 3,564 mental health consultations.

Deployment of COVID-19 response teams in Mexico



Mexico is one of the American countries most affected by COVID-19. The pandemic has caused the health system to collapse.

In such context, the Médecins Sans Frontières (MSF) teams opened a treatment centre in a sports centre in Tijuana to relieve the city's hospital. After transferring the centre's management to local authorities, MSF teams travelled to several Mexican states to offer training and specific support to health centres and hospitals in the regions most severely affected by the pandemic and with fewer resources. 27 hospitals were visited and 12 of them received direct support. Also, 792 mental health sessions were given.

Support for the MSF emergency unit



Since 2011, we have collaborated with Médecins Sans Frontières with the aim of ensuring an immediate response to medical-humanitarian crises anywhere in the world. In 2020, we fully financed the structure of the Emergency Unit, whose headquarters are in Barcelona, and part of the regional teams from the Democratic Republic of the Congo (RUSK), the Central African Republic (EURECA) and Ethiopia (ESS).

This continued support has allowed dealing with the effects of the pandemic in various countries, assisting people affected by the conflicts in Burkina Faso and Mozambique and dealing with epidemics in the Democratic Republic of the Congo, the Central African Republic and Ethiopia.

The Emergency Unit has managed in Spain, Peru and Yemen the response to the first wave of COVID-19. Hospital expansions have been set up and training on preventing and controlling the infection have been delivered to healthcare and non-healthcare professionals. Over 10,000 people in Spain and Latin America have participated in the online training system launched by MSF via the website msfcovid19.org.

At the same time, the teams deployed in Burkina Faso by the Emergency Unit continued meeting the enormous needs of this population affected by the conflict in the north of the country. Vaccination campaigns have been carried out to immunise 40,119 children, and 86,153 children were treated for malaria. In addition, 3,771 pregnant women have been assisted in childbirth, and care has been provided to the newborns.

In Mozambique incursions by rebel armed groups and radical groups are wreaking havoc in Cabo Delgado. MSF's efforts have focused on providing mental healthcare, one of the major shortcomings of the Mozambican health system. In 2020 MSF teams held 3,546 consultations.

Meanwhile, regional emergency response teams have once again been essential in analysing the context and responding to imminent needs.

In the Democratic Republic of Congo, the RUSK has carried out several interventions in the South Kivu region. Despite the limitations imposed by COVID-19, measles vaccination campaigns and treatments for malaria and malnutrition have been carried out on the child population. In Central African Republic, EURECA has focused on ensuring medical care and vaccination for children in areas heavily affected by violence. And in Ethiopia, the ESS responded to flooding caused by the Lake Turkana, and essential items were distributed in Metekel.

En las Fronteras de Colombia Programme



The "En las Fronteras de Colombia" (Inside the Colombian Borders) Programme, which is passing the halfway mark of its fourth edition for the period 2018–2021, has witnessed a worsening humanitarian crisis in Colombia due to **migration flows from Venezuela** and the COVID-19 pandemic, which has imposed significant restrictions and limited the work and conditions of humanitarian teams.

In addition, this state of emergency has resulted in closed borders, closed businesses and new mobility restrictions, which have had a particularly acute impact on the most vulnerable groups. The programme, which has been carried out together with the Jesuit Refugee Service (SJR LAC) since 2009, has served a total of 12,790 people in Colombia, Ecuador and Venezuela.

Project Response to COVID-19 in South Africa



The project aimed at mitigating the effects of COVID-19 with the distribution of basic necessities among refugees and asylum seekers in the South African province of Gauteng arises from the crisis caused by the spread of the pandemic in the African country.

This project, implemented together with the Jesuit Refugee Service as a complement to the educational intervention of EPGO III, has provided an emergency response by distributing basic foodstuffs and hygiene and healthcare resources to 1,130 vulnerable people.

d) Other issues addressed

In addition to the programs described in the previous sections, in 2020 we allocated 44% of our corporate community investment programme to initiatives related to the environment, health, economic development, arts and culture. In a year shaped by the COVID-19 pandemic, we have allocated 34% of our community investment to health-related initiatives. Likewise, in 2020 we have continued giving support to those institutions working in research, such as the PRO-CNIC Foundation, New York-Presbyterian's Youth Anxiety Centre, Massachusetts Institute of Technology (MIT), Real Instituto Elcano or Fundación Carolina, among others. Inditex's relationship with arts and culture has materialised in collaborations with organisations such as the Royal Spanish Academy, the Reina Sofía National Museum of Art, the Royal Theatre, among others.

Likewise, Inditex makes charitable gifts at a corporate level, and contributions from our Group brands and subsidiaries to non-profit organisations. In 2020 we carried out charitable gifts amounting to 1.9 million euros, mainly related to petitions from charities, distributed among 172 community organisations.

5.3 PARTNERSHIPS WITH CIVIL SOCIETY

Related issues: Stakeholder engagement



At Inditex, we consider that the relationship and the establishment of partnerships with the various stakeholders representing civil society is key to the development of our sustainable business model. For this reason, we maintain a fluid, multidirectional and constant relationship with numerous local and international organisations and institutions. We join forces with governments, unions, academic institutions, local and international organisations and civil society representatives, among others. This helps us to further sustainable development both across our entire value chain and in the societies where we operate. In this way, we maximise our contribution to the Sustainable Development Goals and we are making progress in creating economic, social and environmental value.

Below is a non-exhaustive list of the main organisations and institutions we collaborate with.

BANGLADESH ACCORD

This is an agreement between global brands and distributors, local and international trade unions and non-governmental organisations in Bangladesh, which aims to secure lasting improvements in textile industry working conditions in the country. Inditex is an original signatory member and sits on the Board of Directors. Since May 2020, the Accord has transferred its functions in the field to the RMG Sustainability Council (RSC).

ACT (Action, Collaboration, Transformation)

A collaborative initiative involving distribution brands, suppliers and trade unions to transform the industry and achieve living wages in the textiles sector through collective bargaining. Inditex has been an active participant in ACT and its working groups since its creation in 2015.

AFIRM GROUP

A working forum made up of leading companies in the fashion, footwear and sportswear sector, who all share the goal of reducing - across the textile and leather supply chain - the use and impact of substances damaging to health and the environment.

Partnership for a sustainable economic recovery

A partnership promoted by Ecodes and the Spanish Green Growth Group, among others, to defend that stimulus policies are economically and socially effective and are in line with sustainability and biodiversity policies.

Istanbul Textile and Apparel Exporter Associations - ITKIB

Inditex is part of a long and fruitful collaboration in Turkey with ITKIB, the Istanbul textile association and EKOTEKS, the customs control laboratory, working on the development of new techniques to analyse sustainable cosmetics and fibres.

Better Cotton Initiative (BCI)

At Inditex we are collaborating with the Better Cotton Initiative (BCI) as members. The initiative aims to develop and promote best practice in traditional cotton cultivation, to the benefit of producers, the environment, and the industry's future.

Better Than Cash Alliance

Based at the United Nations, this partnership between governments, companies and diverse international organisations seeks to promote the transition to a digital economy worldwide. At Inditex, our focus in the partnership is on the digitalisation and financial education of the supply chain

BSR

A global non-profit organisation that works with a network of more than 200 members to build a fair and sustainable world. As members of BSR since 2019, we have taken part in several of the organisation's initiatives, such as the HER programme for the empowerment of women.

United Nations Business Ambition for 1.5°C

Urgent call for action by a global coalition of UN agencies and business and industry leaders to commit to setting ambitious science-based emission reduction targets.

Business for Societal Impact (B4SI)

Global standard, formerly known as LBG, to measure social impact of companies. Inditex is included in the global B4SI network, currently made up of more than 120 companies.

Canopy Planet Initiative

As founders of the CanopyStyle initiative, we are collaborating with the organisation Canopy Planet to protect primary forests and forests with a high ecological value through the textile chain. It represents a commitment to protect these types of forests; more specifically, a commitment to ensuring man-made fibres (viscose, modal, lyocell) do not contain cellulose originating from such forests.

Cáritas

We have worked with Cáritas, a non-profit organisation, since 2007, with the aim of improving wellbeing in the community. Under the framework of our strategic alliance with Cáritas we are currently developing a number of programmes, including the Moda Re- circular economy programme to promote job creation in Spain.

Fashion Industry Charter for Climate Action (UNFCCC)

We have committed to implementing this Charter, launched by the United Nations Office for Climate Change, and aligned with the Paris Agreement goals. The aim is for the industry to achieve net zero emissions by 2050, with an initial goal of reducing GHG emissions by 30% by 2030.

CEO Water Mandate

We are signatories of this United Nations initiative to support companies in developing, implementing, and disclosing their water strategies and policies.

CIQ Shanghai

We are taking part in the Pre-Testing Programme with CIQ Shanghai, which is part of the Department of Customs Inspection and Quarantine of China, a programme reserved for companies with a very high level of compliance with health regulations for imported items.

Clean Cargo Working Group

In 2020 we joined this initiative dedicated to reducing the environmental impacts of global freight transport and promoting responsible maritime transport. Within the Clean Cargo Working Group, there is a collaboration between companies dedicated to integrating environmental and socially responsible corporate principles into transport management. Its CO2 Emissions Calculation methodology is the maritime transport standard used by other initiatives such as the US Environmental Protection Agency's (EPA) SmartWay Programme and the Global Logistics Emissions Board (GLEC).

Cotton Campaign

This is an initiative set up by companies and third sector organisations to improve working conditions and defend human rights in cotton production and sourcing.

Covid-19: Action in the global garment industry

An initiative aimed at encouraging action in the global textile sector to help industry cope with the economic impact of the coronavirus pandemic, while promoting the protection of the incomes, health and employment of industry workers. This call to action has been agreed in 2020 by the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union together with international brands, and with the technical support of the International Labour Organisation (ILO). Inditex is part of the international working group created for its implementation.

Ellen MacArthur Foundation

We have joined the New Plastics Economy Global Commitment, launched by the Ellen MacArthur Foundation in collaboration with the UN Environment Programme for the period to 2025. Through this commitment, we are promoting reusing or recycling all the plastics we use so they can then be reintroduced into the loop, as well as reducing the amount of unnecessary plastic packaging used and increasing the percentage of recycled content in these materials.

Entreculturas (Between Cultures)

Since 2001 we have collaborated with the Jesuit-sponsored NGO, which aims to bring about social change through education. Over the last 19 years our work for this partnership has included developing educational programmes which have directly benefited more than 1.2 million vulnerable people in Africa, Latin America, and Asia.

Ethical Trading Initiative

A platform for dialogue to improve working conditions across the supply chain, consisting of companies, international trade unions, and non-governmental organisations. Inditex has been a member of Ethical Trading Initiative since 2005 and is an active participant of its programmes in different countries.

Every Mother Counts

A non-profit organisation dedicated to helping women access quality healthcare, in order to prevent infant and maternal mortality. Thanks to our partnership that began in 2015, numerous maternal healthcare projects have been developed in countries such as Bangladesh and the United States.

Fashion Pact

We are co-founding partners of this agreement between leading fashion companies setting specific goals to tackle industry challenges, specifically to combat climate change, protect our oceans and conserve biodiversity.

Foro Social de la Moda

This forum was founded in 2018 as a joint initiative involving organisations in the third sector, local unions affiliated with IndustriALL Global Union (CCOO and UGT) and various Spanish textile brands including Inditex. It provides a forum for dialogue on global supply chains between various stakeholders.

Fur Free Alliance

The Fur Free Alliance is an international coalition of animal welfare organisations working together to end the exploitation and killing of animals for fur. Inditex forms part of the Fur Free Retailer Programme of the Fur Free Alliance.

Global Fashion Agenda (GFA)

Promotes a series of commitments for advancing towards a circular economy by 2020, known as the GFA 2020 Commitments.

IndutriALL Global Union

An international federation of almost 600 unions representing more than 50 million industrial sector workers. Our collaboration with IndustriALL is enshrined in a framework agreement signed in 2007, the first to cover the whole supply chain of a textile company. The agreement, renewed in 2019, emphasises the essential role of union freedom and the right to collective bargaining, to ensure adherence to the international labour standards set out in the United Nations ILO Conventions and OECD guidelines.

Chinese Institute of Public & Environmental Affairs (IPE)

For another year running, we have upheld our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE), in order to improve the environmental management of our supply chain in China and to publish the results of wastewater analysis. We are continuing to work together to develop a map to monitor the performance of textile companies in China.

LBG Spain

A framework to measure community investment. IndItex forms part of the LBG Spain Group, currently formed by 18 companies.

Massachusetts Institute of Technology (MIT)

Under the umbrella of our Closing the Loop programme, we are collaborating with the Massachusetts Institute of Technology (MIT) on the MIT-MISTI (International Science and Technology Initiatives) initiative to research ways of recycling used clothes.

MIT Climate and Sustainability Consortium

Inditex is one of the founding members of the MIT Climate and Sustainability Consortium (MCSC), launched with the goal of accelerating large-scale implementation of solutions to address the threat of climate change. The initiative brings together multinational leaders from a broad range of industries to work together with the Massachusetts Institute of Technology (MIT), to share processes and strategies for environmental innovation.

Doctors Without Borders (MSF)

Since 2008 we have collaborated with Doctors Without Borders, a humanitarian medical organisation that delivers emergency aid to people affected by armed conflict, epidemics, pandemics, natural disasters and exclusion from healthcare. As a result of this strategic alliance for community investment, we have developed projects in 52 countries which have benefited more than 5.5 million people.

Open for Business

A coalition of leading global companies dedicated to LGBT+ inclusion, to prove that more inclusive societies are better for business and that companies that promote LGBT+ inclusion are more dynamic, productive and innovative.

Organic Cotton Accelerator (OCA Foundation)

We are founding members and part of the investment committee for the Organic Cotton Accelerator (OCA). The initiative was created to foster a commitment to the development of a responsible and healthy organic cotton market to the benefit of all parties involved.

International Labour Organization

We are participants in the ILO's Better Work Programme, working to improve compliance with labour regulations and the competitiveness of global supply chains. Inditex joined the Better Work Programme in October 2007. In 2013 both parties signed a special agreement making us a direct buyer partner of the Better Work Programme.

We have maintained a public-private partnership with the ILO, signed in 2017 and of triennial character, with the aim of working together to promote fundamental principles and labour rights in the cotton supply chain.

United Nations Global Compact

A United Nations initiative that encourages social dialogue between companies and civil society. Inditex joined in 2001, and we play an active role on the various working platforms together with other stakeholders, such as the Action Platform on Decent Work in Global Supply Chains, and the Reporting Platform on the Sustainable Development Goals.

Shift

A non-profit organisation with Human Rights expertise, chaired by John Ruggie, author of the United Nations Guiding Principles on Business and Human Rights. Inditex has been a member of Shift since 2018, taking part in its Business Learning Programme, human rights leadership programmes which bring companies from all sectors together to work on implementing the Guiding Principles.

Smart Freight Centre

It is a non-profit organisation dedicated to sustainable transport. Its vision is to achieve an efficient global logistics sector and zero emissions, which will contribute to the objectives of the Paris Climate Agreement and Sustainable Development Goals. To achieve this vision, they join the global logistics community through their Global Logistics Emissions Council (GLEC).

Sustainable Apparel Coalition (SAC)

We are active members of the Sustainable Apparel Coalition (SAC), a textile industry initiative to develop a common sustainability index to assess the performance of retailers brands, suppliers and products.

Sustainable Fibre Alliance

The Sustainable Fibre Alliance is an international non-profit organisation working with the extended cashmere supply chain, from herders to retailers. Its goal is to promote a global sustainability standard in cashmere production, in order to preserve and restore grasslands, ensure animal welfare, and secure livelihoods.

Tent Partnership for Refugees

Founded by Tent Foundation, a non-profit organisation, this global network of more than 100 companies seeks to mobilise the private sector to create partnerships that can improve the lives of refugees.

Textile Exchange

We are collaborating with the Textile Exchange as members. This is an independent, non-profit organisation, and a leading international industry figure. It is a platform to promote the cultivation of organic cotton and global sustainability in the textile industry.

The Policy Hub

We actively collaborate with The Policy Hub, an organisation that brings the textile industry and its stakeholders together to speed up the sector's transformation to a circular model.

UNI Global Union

In 2019, Inditex and the UNI Global Union, a federation of unions representing 20 million workers in more than 150 countries, celebrated the 10th anniversary of their global agreement, signed in 2009 to respect and promote labour rights and decent work across the commercial and distribution network.

United Nations Uniting Business and Governments to Recover Better

Inditex is one of the more than 150 companies participating in Science Based Targets that signed a statement in 2020 urging governments around the world to align their recovery efforts in the face of the crisis caused by COVID-19 and to provide financial assistance with the latest advances in science related to climate.

Polytechnic University of Catalonia

Inditex is working with the Universitat Politècnica de Catalunya on research into the microplastics present in marine ecosystems, originating from laundry wastewater. Specifically, the project is looking into how to minimise the shedding of these particles (smaller than 5mm) from clothing, thereby preventing them from making their way into the sea.

Universidad de Lleida. A3 Leather Innovation Center at Igualada

Our cooperation with A3 Center centres on two aims: developing the best technologies for leather tanning and finishing, and simple and versatile methods for the analysis of key substances such as formaldehyde and chromium (VI).

Water.org

Since 2015 we have been collaborating with the non-profit organisation Water.org to improve access to drinking water and sanitation for vulnerable families in Bangladesh, Cambodia and India. Thanks to our strategic alliance with Water.org, more than a 1.5 million people now have improved access to water and sanitation, which has been achieved through granting micro-loans.

Zero Discharge of Hazardous Chemicals (ZDHC)

Through this organisation, we join forces with the industry as a whole, working together to achieve our commitment to Zero Discharge in 2020. It represents a commitment to limit and eliminate certain chemicals from the product manufacturing process.

5.4 RECOGNITIONS AND ACCOLADES

Related issues: Stakeholder engagement; Responsible Communication



- **Bloomberg, Gender Equality Index** Inditex has been acknowledged by Bloomberg in its 2021 Gender Equality Index (GEI) for the second consecutive year. The index **measures the commitment towards gender equality across five pillars: female leadership and talent pipeline, equal pay and gender parity, inclusive culture, sexual harassment policies, and pro-women brand**. The list includes 380 corporations from 44 countries and regions around the world, and more than 6,000 global companies analysed. The organisations cover 50 sectors and industries, including retail.
- **World Benchmarking Alliance** Through its Gender Disclosure Report 2020, **practices in the scope of gender equality and women's empowerment are analysed in the world's 36 most influential retail companies**. The study is based on the information made public by companies themselves, and it highlights the leadership of Inditex and the commitment towards its suppliers in aspects such as preventing workplace violence and sexual harassment, among others.
- **The Financial Times** has presented its Diversity Leaders, **which includes Inditex for the first time in 2021 for its efforts to achieve full inclusion in the workplace**. The report, in which Inditex is ranked 252, includes a list of 850 leading companies across 16 European countries, recognised for their integrating approach to their workforce.
- **Universum Most Attractive Employers** It identifies the 100 best companies to work for based on polls made of university students. For the sixth consecutive year, in 2020 Inditex has managed to remain among the favourite companies for business administration students.
- Inditex appears in 2020 in fifth place in the report **Refinitiv Global Diversity & Inclusion Index** (51 in 2019). The index identifies **companies that are at the forefront of workplace diversity and inclusion** to ensure that they remain competitive and meet the changing needs of their customers.
- **Dow Jones Sustainability Index**. Inditex continues to be one of the **most sustainable retail companies, according to the Dow Jones Sustainability Index**, with a score of 75 points out of 100, 51 points above the average score for the sector (68 points out of 100 in 2019).
- **FTSE4Good**. The FTSE4Good sustainability-based index awarded Inditex a score of 4.9 out of 5 in 2020, the same score as in 2019. The sustainability stock index includes **global companies with a strong commitment to sustainability**, taking into account environmental, social and corporate governance practices.
- **Baptiste World Aid Australia**. In 2020, the company presented The Covid Fashion Report, a special edition of its Ethical Fashion Report, which addresses the **impact of Covid-19 on the textile industry** and which lists the **six commitments** that companies can work towards in this pandemic (support workers' wages by honouring supplier commitments; support workers at greatest risk; listen to the voices of workers; ensure workers' rights and safety are respected; collaborate with others to protect vulnerable workers; and build a better world). Inditex was included among the companies with **greater compliance** with these commitments.

- **CDP** (formerly, Carbon Disclosure Project) In 2020 Inditex was awarded **an A- rating** for its climate change programme given its **leadership in disseminating information and its performance in this area**.
- **Corporate Knights**. For the third year running, Inditex is included in the **Global 100 Most Sustainable Corporations**. The ranking evaluates economic, environmental, social and governance indicators of 7,395 global companies and ranks Inditex 92nd in the general list and 2nd in the fashion industry.
- **Changing Markets Foundation**. According to the study **Dirty Fashion: Crunch Time**, Inditex is included, for **the third year in a row, in the frontrunner category** in the retail industry **thanks to its strong support of production and sale of responsible viscose**. The latest edition of this report, published in December 2020, assesses responsible production plans, commitments and progress in terms of transparency of 100 brands and retailers (91 in 2019) and of relevant viscose manufacturers and the most relevant initiatives, showing at which stage of the transition towards responsible viscose the global textile industry is.
- **Fundación Cuatrecasas**. **Inditex** has been awarded the Manuel Olivencia Corporate Good Governance Award.
- **Merco**. In 2020, Inditex achieved first place in the ranking of **Best Reputed Companies** in Spain for the ninth year running and has remained at the top of the Merco Responsibility and Corporate Governance ranking.
- **Forbes**. Inditex is included in the **Forbes Global 2000 list** for the fifth consecutive year. For this ranking, Forbes selects 2,000 private companies based on a combination of four indicators: sales, utilities, assets and market value.

6. ABOUT THIS REPORT

6.1 REPORT FRAMEWORK

This Statement on Non-Financial Information has been favourably evaluated by the Inditex Social Advisory Board (the Group's advisory and consultative body, composed of external and independent members).

Act 11/2018 of 28 December came into force in December 2018, amending the Code of Commerce, the revised text of the Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July on Statutory Audit, regarding non-financial information and diversity (hereinafter Act 11/2018) which supersedes Royal Decree-Law 18/2017 of 24 November, which transposed Directive 2014/95/EU of the European Parliament and of the Council, regarding disclosure of non-financial information and information on diversity into the Spanish legal system.

Pursuant to the provisions of said Act 11/2018, certain companies, including Inditex, must draft a Statement on Non-Financial Information, which must be included in the director's report or in a separate report corresponding to the same financial year, including the same content and fulfilling all requirements, including, among others: the information necessary to understand the Group's progress, results and situation; the impact of its activity with regard to environmental and social issues; respect for Human Rights and the fight against corruption and bribery; as well as matters regarding the workforce, with the requirement to include measures (if any) the Group has taken to

promote the principle of equal treatment and opportunities between women and men, non-discrimination and inclusion of persons with disabilities, and universal accessibility.

In this context, Inditex has included this Statement Non-Financial Information as part of its Consolidated Director's Report. The scope of the information reported extends to all companies over which Inditex has control or joint control (contained in Annex I of the annual accounts), with no significant variation in comparison with the 2019 financial year. It also includes relevant information on the Company's supply chain, comprising independent suppliers and manufacturers not owned by Inditex Group.

Inditex has drafted this report following the principles and guidelines included in the Standards of Global Reporting Initiative (hereinafter 'GRI'), the international reporting framework addressed in section 49.6.(e) of the Code of Commerce, as introduced by the aforementioned Act 11/2018.

When determining which contents to include in the report and how to present them, the Company has followed the guidelines set out in standard GRI 101: Foundation 2016, which establishes the fundamental reporting principles for drafting sustainability reports. One such principle is materiality, which Inditex has implemented through materiality analysis carried out in collaboration with its stakeholders, resulting in the Materiality Matrix set forth (see pages 18 *et seq.*).

As such, and as stipulated in GRI principles above mentioned, this report addresses all matters that reflect the Company's significant economic, environmental and social impacts that could have a substantial influence on the assessments and decisions of its stakeholders. These matters, as well as others not covered by this report, will be included in the Annual Report for the 2020 financial year, which Inditex will publish in July of this year.

Furthermore, as far as possible in the preparation of this Statement on Non-Financial Information, in accordance with the best applicable practices, the recommendations of the different national and international regulatory bodies have been taken into account.

Similarly, this Statement on Non-Financial Information has been drafted with reference to the recommendations included in the EU 2017/C215/01 Guidelines on non-financial reporting, and EU 2019/C209/01 Supplement on reporting climate-related information.

In line with its philosophy of continuous improvement in reporting and commitment to transparency and reducing the Group's impact on climate change in 2020, Inditex has shown its support for the Task Force on Climate Related Financial Disclosures (TCFD). As such, it has set out its commitment to incorporating recommendations to provide greater transparency on the risks and opportunities arising from climate change for the Company.

A multidisciplinary, multifunctional working group has been created with the mission of analysing, managing and adapting the company's climate-related disclosure and management framework to the recommendations of the TCFD.

The information included in the Statement on Non-Financial Information has been subject to independent review by Deloitte. The scope and results of the independent review are described in the Review Report attached hereto.

This report has been reviewed in accordance with the revised ISAE 3000 standard, *Assurance Engagements Other than Audits or Review of Historical Financial Information*, and with Guideline no. 47 on *Attestation Engagements of the Statement on Non-Financial Information* issued by the Institute of Certified Public Accountants of Spain.

6.2 INDEX OF CONTENTS REQUIRED BY ACT 11/2018, OF 28 DECEMBER

Index of contents required by Act 11/2018, of 28 December

Information requested by Act 11/2018	Materiality	SNFI page where response is given	Reporting criteria: GRI selected ⁹⁴ (2016 version if not stated otherwise)
GENERAL INFORMATION			
A brief description of the business model that includes its business environment, its organisation and structure	Material	9-17	GRI 102-2
Markets in which it operates	Material	9-12	GRI 102-4 GRI 102-6
Organisation's objectives and strategies	Material	7-9, 13-17, 75-76, 82, 86, 113-116, 129-142	GRI 102-14
Main factors and trends that may affect its future development	Material	9-17, 23-26, 36-43	GRI 102-14 GRI 102-15
Reporting framework used	Material	20, 227-228	GRI 102-54
Materiality principle	Material	18, 21-22	GRI 102-46 GRI 102-47
ENVIRONMENTAL ISSUES			
Management approach: description and results of policies relating to these issues, as well as the main risks related to these issues related to the group's activities	Material	9-17, 129-142, 145-164, 173-176, 186-189	GRI 102-15 GRI 103-2
Detailed general information			
Detailed information on the current and foreseeable effects of the company's activities on the environment and, where applicable, health and safety	Material	145-164, 154-156	GRI 102-15 GRI 103-2
Environmental assessment or certification procedures	Material	154-159, 173-176, 181-184	GRI 102-11 GRI 102-29
Resources dedicated to the prevention of environmental risks	Material	154-159	GRI 103-2

⁹⁴ In addition to the selected GRI reporting contents, the linked contents of the Draft of the Apparel and Footwear (AF) sectoral supplement are indicated in the table of the Global Reporting Initiative's G4 Guide

Application of the principle of precaution	Material	145-164, 154-156, 160-162	GRI 102-11
Amount of provisions and guarantees for environmental risks	Material	145-164, 154-156	GRI 103-2
Pollution			
Measures to prevent, reduce or repair emissions that seriously affect the environment; taking into account any form of air pollution specific to an activity,	Material	154-162	GRI 103-2
including noise and light pollution	Non-material	21-22, 159	Not applicable
Circular economy and waste prevention and management			
Prevention, recycling and reuse measures, and other forms of recovery and disposal of waste	Material	129-145, 170-172	GRI 103-2 GRI 301-3 with regard to recovered packaging products for reuse and recycling GRI 306-1 with regard to the type of company discharges and the management of the discharges into the supply chain (zero discharge) GRI 306-2 with regard to the total waste generated
Actions to fight against food waste	Non-material	21-22	Not applicable
Sustainable use of resources			
Water consumption and water supply according to local limitations	Material	160-161, 172-174	GRI 303-1 (2018) GRI 303-5 (2018) with regard to total water consumption from own sources
Consumption of raw materials and measures taken to improve the efficiency of their use	Material	133-134, 165-172, 173-176	GRI 301-1 GRI 301-2 AF18, AF20
Direct and indirect energy consumption	Material	149-158	GRI 302-1 with regard to the direct and indirect consumption of energy from

			renewable and non-renewable sources within the organisation GRI 302-4
Measures taken to improve energy efficiency	Material	149-158	GRI 103-2 GRI 302-3 GRI 302-4
Climate change			
Greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	Material	149-158	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-5
Measures taken to adapt to the consequences of climate change	Material	167, 225	GRI 201-2
Voluntary reduction targets set for the medium and long term to reduce greenhouse gas emissions and the means implemented for this purpose	Material	145-165	GRI 103-2 GRI 305-5
Biodiversity protection			
Measures taken to preserve or restore biodiversity	Material	145-148, 148-149, 162-164	GRI 304-3 with regard to measures taken to preserve biodiversity
Impacts caused by activities or operations in protected areas	Material	136-141, 145-148, 148-149, 160, 162-164	GRI 304-2
SOCIAL ISSUES CONCERNING STAFF			
Management approach: description and results of policies relating to these issues, as well as the main risks related to these issues related to the group's activities	Material	42-44, 87, 91-99, 104, 113-116, 117-120	GRI 102-15 GRI 103-2
Employment			
Total number and distribution of employees by country, gender, age and occupational classification	Material	87-91	GRI 102-8 GRI 405-1, with regard to the distribution of employees by country, gender, age and occupational classification
Total number and distribution of employment contract modalities and annual average of permanent contracts,	Material	44-47	GRI 102-8 with regard to the total number of

temporary contracts and part-time contracts by gender, age and occupational classification			employees by employment contract and type of employment contract, by gender, age and occupational classification
Number of dismissals by gender, age and occupational classification	Material	46-47	GRI 103-2
Average salaries and their evolution broken down by gender, age and occupational classification or equal value	Material	105-106	GRI 405-2 with regard to the remuneration of women compared to men by gender, age and occupational classification
Wage gap, equal or average remuneration of jobs in society	Material	105	GRI 405-2 with regard to the remuneration of women compared to men by occupational classification and location with significant operations.
Average remuneration of directors and officers, including variable remuneration, allowances, indemnities, payment to long-term savings pension schemes and any other payment broken down by gender	Material	106	GRI 405-2 with regard to remuneration of women compared to men by occupational category
Implementation of policies to disconnect from work	Material	96	GRI 103-2
Number of employees with disabilities	Material	94	GRI 405-1 with regard to the distribution of employees by other diversity indicators
Organisation of work			
Organisation of working hours	Material	49-50	GRI 103-2
Number of hours of absenteeism	Material	35	GRI 403-9 (2018) with regard to absenteeism hours

Measures designed to facilitate the enjoyment of amicable settlement and to promote the corresponding exercise of these by both parents	Material	95-96	GRI 401-3 with regard to the total number of employees who have taken parental leave and the total number of employees who have returned to work in the reporting period after completing parental leave, by gender
Health and safety			
Occupational health and safety conditions	Material	23-31, 122-123	GRI 403-1 (2018) GRI 403-2 (2018) GRI 403-3 (2018) GRI 403-5 (2018) GRI 403-6 (2018) GRI 403-7 (2018)
Work-related accidents, in particular their frequency and severity, as well as occupational diseases; broken down by gender	Material	31-35	GRI 403-9 (2018) with regard to occupational accident injuries GRI 403-10 (2018) with regard to work-related ill health
Labour relations			
Organisation of social dialogue including procedures for informing, consulting and negotiating with staff	Material	47-49, 116-118	GRI 103-2 GRI 102-43
Percentage of employees covered by a collective bargaining agreement by country	Material	47-49	GRI 102-41
Assessment of collective bargaining agreements, particularly in the field of health and safety at work	Material	47-49, 122-123	GRI 403-4 (2018)
Training			
Policies implemented in the field of training	Material	99-104	GRI 103-2 GRI 404-2
Total number of training hours by occupational category	Material	99-100	GRI 404-1 with regard to the total number of training hours by occupational category
Universal accessibility			

Universal accessibility for people with disabilities	Material	94-95	GRI 103-2
Equality			
Measures taken to promote equal treatment and equal opportunities between women and men	Material	91-96, 120-122	GRI 103-2
Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment	Material	91-96	GRI 103-2
Policy against all types of discrimination and, where applicable, diversity management	Material	91-96	GRI 103-2
RESPECT FOR HUMAN RIGHTS			
Management approach: description and results of policies relating to these issues, as well as the main risks related to these issues related to the group's activities	Material	113-129, 192-184	GRI 102-15 GRI 103-2
Application of due diligence procedures			
Application of due diligence procedures in the field of human rights and prevention of the risks of human rights violations and, where applicable, measures to mitigate, manage and repair potential abuses committed	Material	195	GRI 102-16 GRI 102-17 GRI 412-1 GRI 412-3 AF16
Allegations of cases of human rights violations	Material	62-66	GRI 406-1 AF12, AF13, AF14, AF16
Measures implemented to promote and comply with the provisions of the ILO fundamental conventions relating to respect for freedom of association and the right to collective bargaining; Eliminating discrimination in employment and occupation; The elimination of forced or compulsory labour; The effective abolition of child labour	Material	39-42, 47-49, 116-120, 127-128, 186-187, 194	GRI 103-2 GRI 407-1 GRI 408-1 GRI 409-1
FIGHT AGAINST CORRUPTION AND BRIBERY			
Management approach: description and results of policies relating to these issues, as well as the main risks related to these issues related to the group's activities	Material	56-74	GRI 102-15 GRI 103-2
Measures adopted to prevent corruption and bribery	Material	57-74	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2 GRI 205-3

Measures to combat money laundering	Material	57-62	GRI 103-2 GRI 102-16 GRI 102-17
Contributions to foundations and non-profit entities	Material	196-203, 219-220	GRI 102-13 GRI 201-1 with regard to community investment
INFORMATION ON THE COMPANY			
Management approach: description and results of policies relating to these issues, as well as the main risks related to these issues related to the group's activities	Material	9-17, 51-54, 106-112, 148-149, 185-191, 199-220, 220-225	GRI 102-15 GRI 103-2
Company commitments to sustainable development			
The impact of the company's activity on employment and local development	Material	196-199, 204-207, 199-220	GRI 103-2 GRI 203-2 GRI 204-1
The impact of the company's activity on local populations and on the territory	Material	35-42, 113-115, 196-199, 199-220	GRI 103-2 GRI 413-1 GRI 413-2
Relations maintained with local community actors and the modalities of dialogue with them	Material	113-115, 196-199, 199-220	GRI 102-43 GRI 413-1
Partnership or sponsorship actions	Material	113-115, 119-220, 196-199	GRI 103-2
Subcontracting and suppliers			
Inclusion of social, gender equality and environmental matters in the procurement policy	Material	161-162, 170-171, 184-192	GRI 308-1 GRI 414-1 AF6, AF7
Consideration of its social and environmental responsibility in relations with suppliers and subcontractors	Material	161-162, 170-171, 184-192	GRI 102-9 GRI 308-1 GRI 414-1
Monitoring and audit systems and their results	Material	184-192	GRI 102-9 GRI 308-2 GRI 414-2 AF2, AF3, AF8, AF12, AF13, AF14, AF16
Consumers			
Measures for consumer health and safety	Material	51-54, 176-184, 184-192	GRI 416-1 GRI 416-2 GRI 417-1
Claims systems, complaints received and their resolution	Material	51-54	GRI 103-2
Tax information			

The benefits obtained country by country	Material	103-108	GRI 207-4 (2019) with regard to pre-tax profits
Tax on profits paid	Material	109-112	GRI 207-4 (2019) with regard to corporate income tax paid
Public subsidies received	Material	112	GRI 201-4 with regard to public subsidies received