






INNOVATION IN THE CUSTOMER EXPERIENCE



We consider the relationship with our customers to be something unique, regardless of the channel they choose at any time. Therefore, the shopping experience goes beyond the channel and the support, always offering customers the most suitable option according to their needs.

SDGs	Goals	Inditex contribution
	9.5	In Inditex we apply an open, flexible and decentralised model in which we encourage all our employees to help develop ideas that lead to practical solutions. This model is deployed in all stages of our value chain, with a special focus on its sustainability. In addition, our collaboration with third parties is a lever to accelerate innovation in the environment in which we operate.
	12.8	Our customers' expectations include being assured that all our practices are implemented under the most demanding premises of efficiency, sustainability, responsibility, transparency, respect for privacy, commitment and contribution to social welfare. For this reason, we provide them with transparent information about our activities and our business model, in which innovation related to all areas of sustainability plays a key role. In this way, we provide a responsible consumption model.

 More information on pages 328 and 329 of this Annual Report.



Our customers are our focus

How we relate to the customer

The customer is the starting point for all that we do in Inditex. Knowing what products they demand and offering them these products at the right time and in the right place, providing the best shopping experience, is the task that people who make up the Group are committed to each day.

While our store and online teams work with the product teams and designers to understand the customers' needs and offer them the latest trends they demand from us, the image and coordination teams look for the best ways to present the collections and propose different looks or possibilities. For its part, the architectural studio works on creating pleasant and accessible spaces, where customers can enjoy a different shopping experience.

From our various positions we all strive to ensure that customers enjoy their shopping experiences. To achieve this, we have developed an integrated store and online model, where customers can access our products whenever, wherever and however they want. This model, which requires flexible, efficient operation with a clearly innovative approach allows the customer to move from the store to the online seamlessly, and offers multiple shopping alternatives.

We consider the relationship with our customers to be something unique, regardless of the channel they

choose at any time. All of this allows our customers to discover our latest products through the online store, but making their purchase in a physical store, or visiting our stores, but making the purchase online and requesting home delivery. Therefore, the shopping experience goes beyond the channel and the support, always offering customers the most suitable option according to their needs.

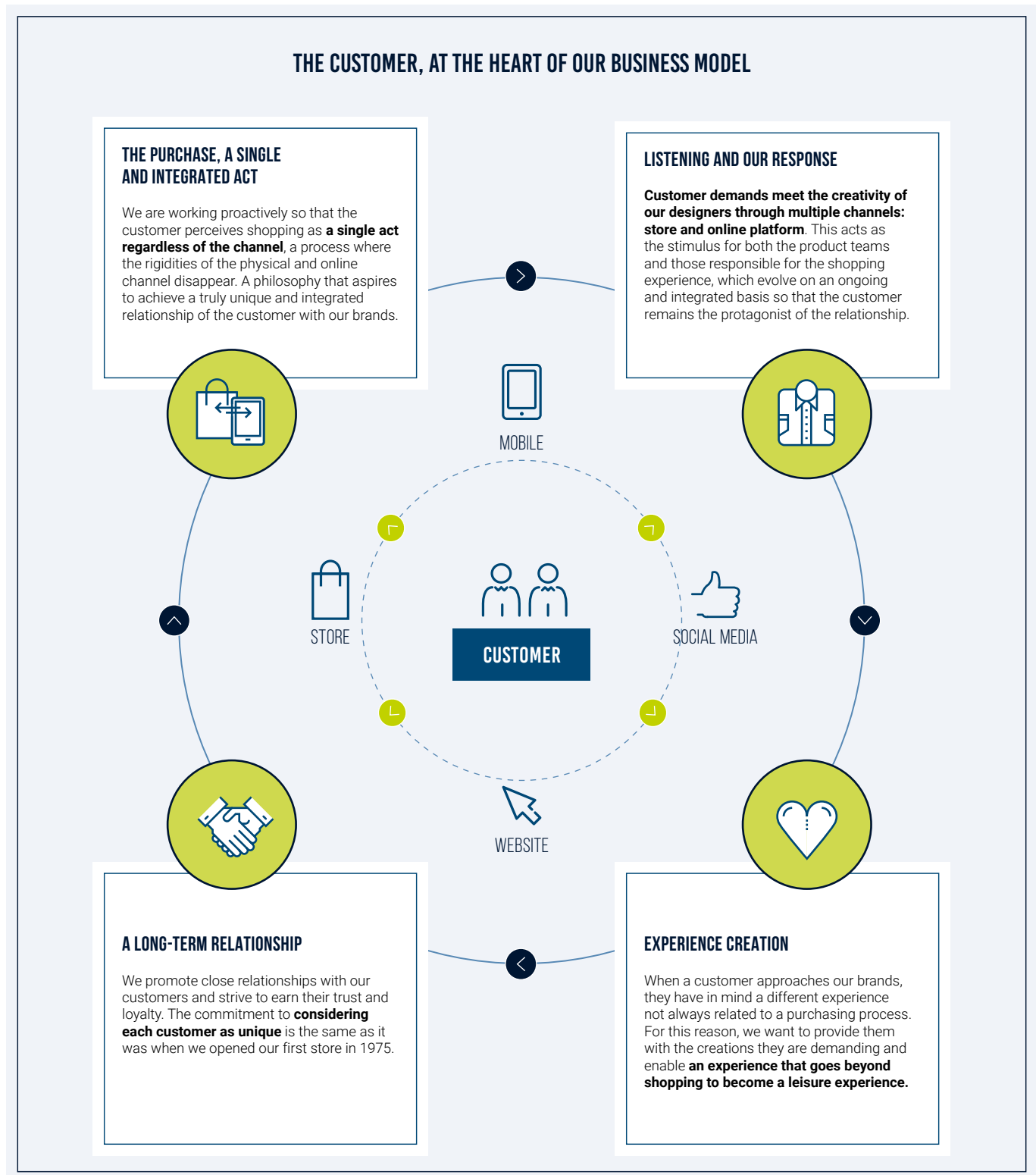
This integrated platform reached 18 new markets in 2019. Following the incorporation of Brazil, South Africa, Colombia, Egypt, Morocco, Indonesia, Serbia, Israel, the United Arab Emirates, Qatar, Bahrain, Saudi Arabia, Oman, Kuwait, Lebanon, Jordan, Ukraine and the Philippines, customers from 66 markets around the world already enjoy the advantages of this system.

Moreover, the development of the Group's global brand platform allows the customers of our brands to access our collections in those places where we do not have brick-and-mortar stores. The Group aims to have all the brands available worldwide during 2020.

Due to the online sales growth, the Group's websites recorded more than 4 billion visits, 1 billion more than the previous year. Each day around 11 million users visit one of the websites of Inditex's different commercial formats.

In recent years we have carried out an almost complete renovation of the commercial area after updating the image of 98% of our stores, opting for increasingly larger stores in which the whole collection can be viewed, while incorporating the latest technologies, customer service and advances in sustainability.

In 2019, the Group's brands continued to work on improvements such as *Next-day delivery*, which is already up and running in the main markets globally, and *Same-day delivery*, which our customers from cities such as New York, Madrid, Paris, London, Shanghai, Moscow and São Paulo already enjoy. Meanwhile, Zara already has automated pick-up points for the delivery of online orders in a selection of 20 stores around the world.



Innovation in the shopping experience

DIFFERENTIATING INNOVATION FACTORS IN INDITEX



Being **able to continuously adapt to our customers' demands and changes in the environment** is one of the basic principles that has guided our activity.

We understand **innovation** as a **differentiating factor**. We apply an **open, flexible and decentralised** model in which we encourage the people who make up Inditex, irrespective of their position, to participate in identifying customer needs and opportunities and to help develop ideas leading to practical solutions that satisfy them. In Inditex, we are constantly looking for new ways of facing challenges, continuously

questioning the traditional ways of doing things, striving for efficiency and having positive impact in everything that we do.

This innovative spirit is also imbued with the **pace and speed** that so characterise our business model. This is how Inditex's innovation arises in all areas of the company and quickly materialises in different projects, which are tackled practically and with foresight. Therefore, each innovative initiative is accompanied from its origin with a pragmatic approach and is launched with one or several pilots from which knowledge and improvement areas are extracted.

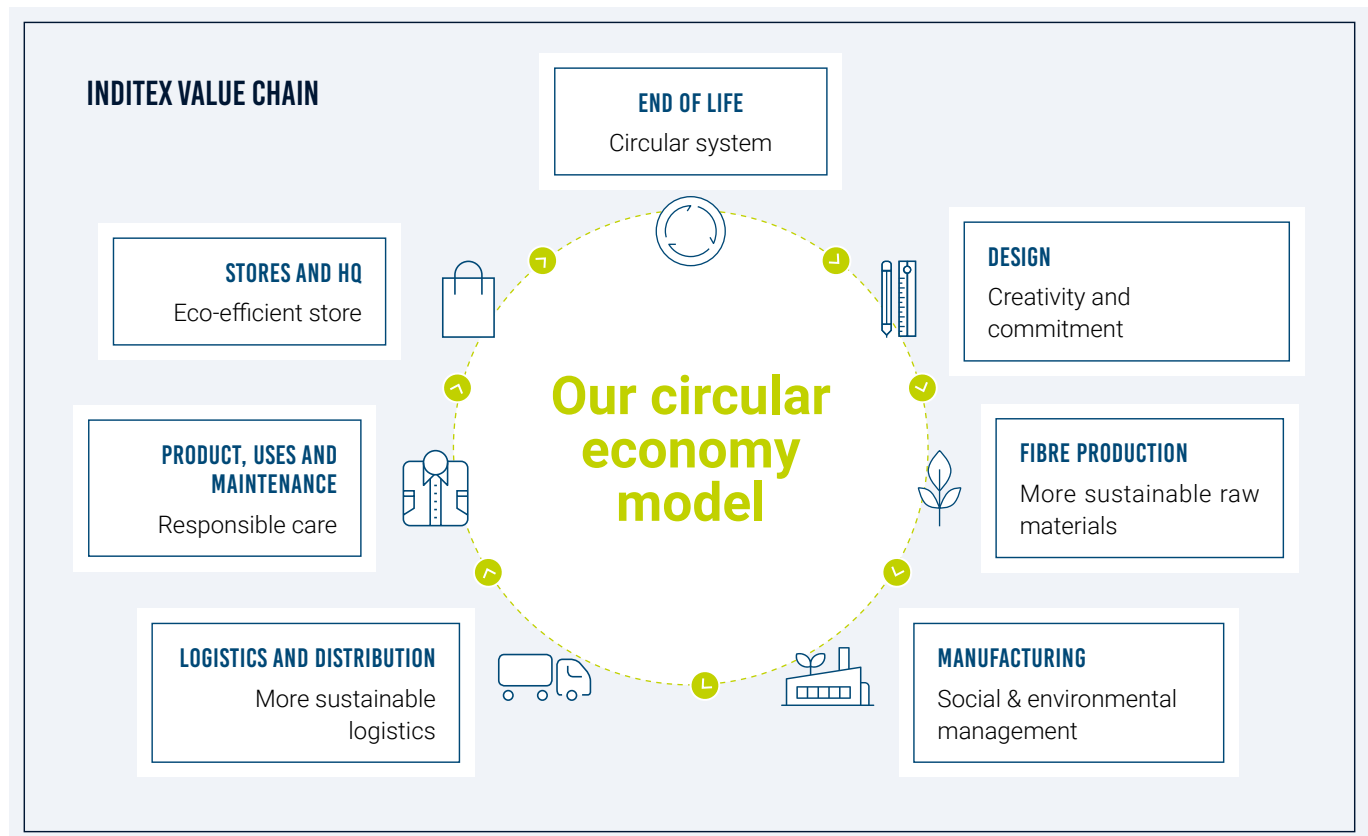
To carry out all our innovation activity, we incorporate the most innovative and efficient **work methodologies**, combining creativity, talent, technology and an in-depth knowledge of the sector. We also **collaborate with organisations, research institutions, suppliers, NGOs and other players** to ensure that all our new innovative initiatives become transformational elements for us and for the industry.

To ensure that our competitive advantages are sustainable in the long term, in Inditex innovation is founded on **two cornerstones**:

- The development of our **circular economy model** with specific initiatives and projects in each phase of the value chain.
- The application of **technology as a transformational cornerstone**: Technology which, due to the complexity of the environment in which Inditex operates, requires multidisciplinary competences in a wide range of scientific disciplines, classified according to the UNESCO International Nomenclature for the fields of Science and Technology and, among which, the 16 categories listed on the right stand out.

TECHNOLOGY AS A TRANSFORMATIONAL CORNERSTONE

UNESCO NOMENCLATURE	SCIENTIFIC DISCIPLINE
1203	Computer Sciences
1207	Operations research
3326	Textile technology
3310	Industrial technology
1209	Statistics
3303	Chemical technology and engineering
3305	Construction technology
3308	Environmental technology and engineering
3312	Materials technology
2306	Organic chemistry
2301	Analytical chemistry
2391	Environmental chemistry
3214	Toxicology
5310	International economy
6302	Experimental sociology
6307	Social change and development



THE PROCESSING OF INFORMATION AS A DRIVING FORCE FOR INNOVATION

The application of many of these technologies is associated in many cases with the **processing of information** as a tool to improve the **decision-making** process, both in terms of speed and reliability, and to thus maximise the benefits of innovation.

RECORDING OF INFORMATION

We work continuously on the **digitalisation and automation of the records and the documentation of our operations**. From real-time data collection when managing our supply chain, to the development of systems that allow the digitalisation of the administrative processes of receipt and payment of invoices or customs documentation. In all cases we collaborate closely with the suppliers and administrations involved to ensure full digitalisation of documentation, helping to further enhance the efficiency, sustainability and security of all processes, **benefiting both us and all the third parties involved**.

GENERATION OF DATA IN REAL-TIME

DATA GOVERNANCE

Obtaining early high-quality information is key to improving decision-making efficiency. For this reason, we are working on an **innovative governance system** that allows its implementation within the data life cycle.

Since Inditex operates in a constantly changing environment, conventional and commercial governance tools do not meet the needs of the company. That is why we develop our own tools with this innovative approach that **allow us to be more flexible** and fully adapted to changes, always managing to respond quickly.

STRUCTURED AND DEFINED DATA

INTEGRATION

For **information to be useful for decision-making purposes**, it is necessary to innovate in the development of systems to ensure that adequate information is available immediately and securely to the user who needs it.

We therefore make continuous efforts to **effectively integrate internal and external systems in agile, safe and flexible environments**, which is a constant challenge, taking into account the huge volume of our operations and the diversity of countries, administrations and suppliers with which we interact and the constantly changing environment we operate in.

INTEGRATED AND AVAILABLE INFORMATION

ANALYTICAL INTELLIGENCE

Having available **quality data and information**, obtained in real time, enables the development of innovative applications to support decision-making and to prepare simulation models and predictive tools applicable across the value chain of the company. Both for predicting demand and for the development and organisation of our logistics and transport system, and to guarantee excellence in our products and ensure the traceability of the supply chain. These types of tools allow us to **anticipate risks, enhance the sustainability and efficiency** of all our processes with the ultimate goal of improving our customers' shopping experience.

INFORMATION FOR INNOVATION AND TRANSFORMATION



2022 HORIZON: Digital, integrated and sustainable transformation

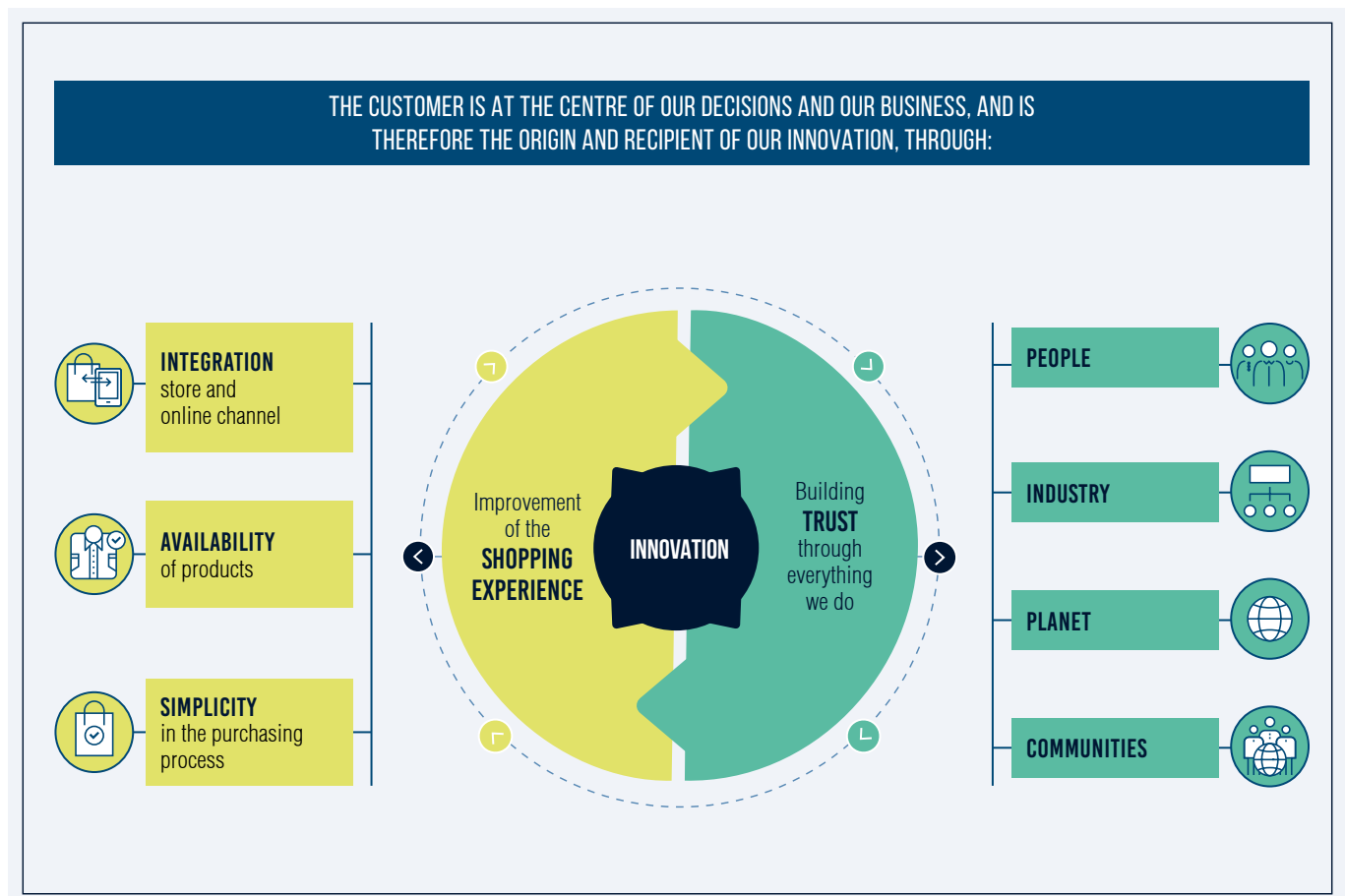
Our 2020-2022 Plan sets out Inditex's vision for the future and defines the challenges involved in transforming the Company. A billion euros will be invested in bolstering the online business and a further 1.7 billion euros in technologically integrated stores.

The plan will enable us to create a proprietary digital platform, fully adapted to the need for flexibility in our business model. It will also comprehensively define our concept of the integrated store "with a future linked to providing constant customer service, wherever our customers are, whichever device they use, and at all times", in the words of our Executive Chairman, Pablo Isla.

01/ Customer-focused innovation

The customer is at the **centre of our decisions** and our business, and is therefore the **origin and recipient of our innovative activity**. We want to listen to and understand what our customers want and expect from us. We believe that this active and continuous focus on the customer's needs is the key to successfully innovating in products and in the **shopping experience** that we offer.

We believe that our innovation should also guarantee that all our practices are aligned with the customer's expectations in terms of efficiency, sustainability, health and safety, data protection and privacy, commitment to positive impacts on the environment and contribution to social welfare, so that we can respond at all times to the **trust that they place in us**.



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**. Our innovation efforts are focused on improving the features and aspects we consider fundamental to ensuring our customers enjoy an excellent shopping experience: integration, availability and ease of use.

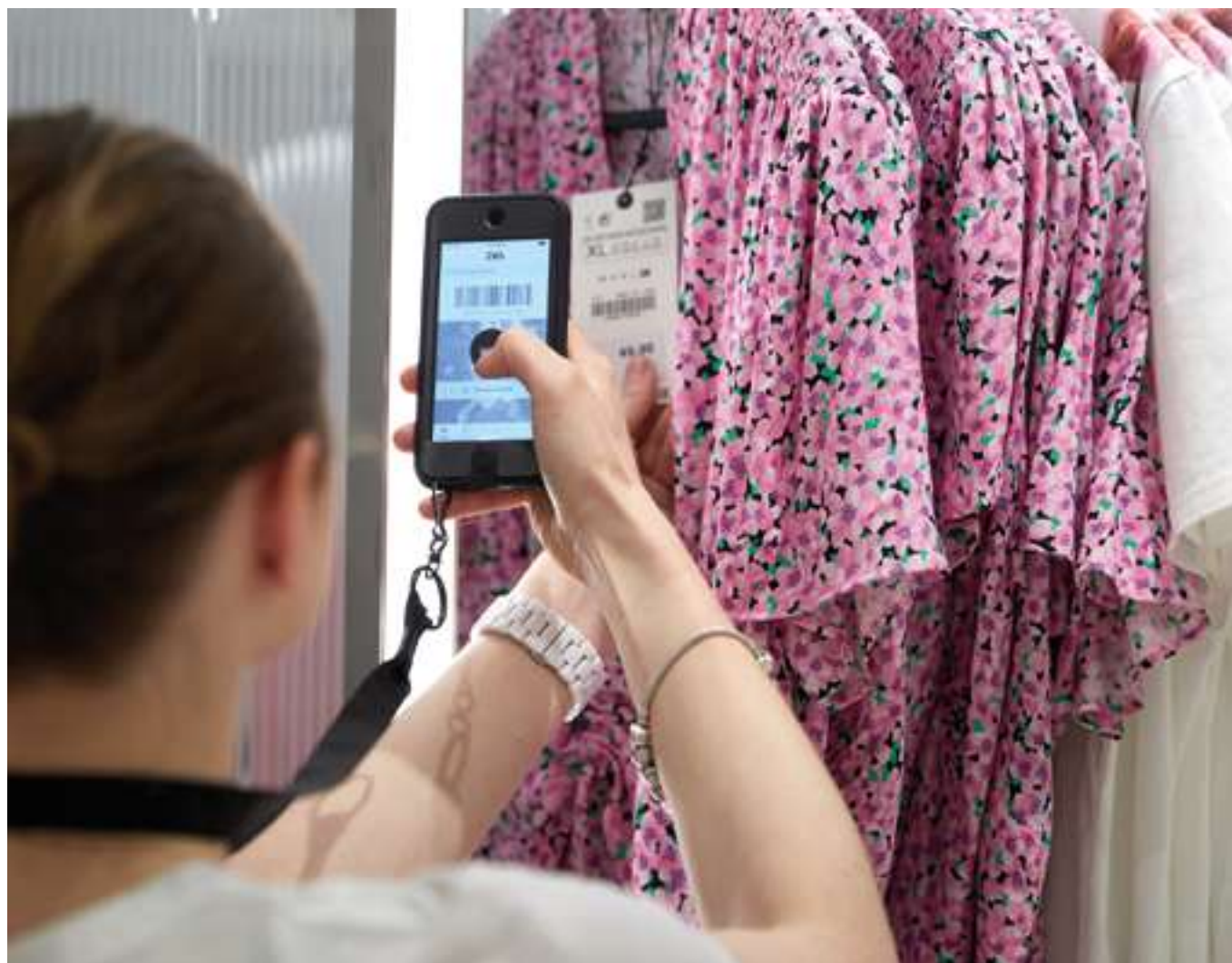
Innovation in this area is aimed at ensuring customers' **shopping experience is fully integrated between the physical and online channels**. This is about more than just combining the two channels, it is about symbiosis, creating a shopping experience where the two channels mutually reinforce each other to raise customer satisfaction.

This innovation model is based on the Inditex Open Platform (IOP), our proprietary technological platform on which all the company's digital operations run. It is designed to be immediately adaptable for all types of operation, with a precision and quality that allows us to develop unique solutions for stores and online.

Starting from online sales, **the IOP pulls all linked processes together, such as inventories, purchasing, distribution and orders**, adding flexibility and, crucially, scalability. This is essential for maintaining service excellence at high-traffic times (for example during sales periods) and is key to the expected increase in online sales.

The platform, which was launched in 2018 and has since demonstrated its efficacy in several stages, is now 60% operational, and will be fully implemented over the period of the 2020-2022 Plan. This is an advanced technological tool that uses microservices to allow us to segment each area's specific requirements without having to change the whole system.

The IOP also allows us to offer our customers an integrated **shopping experience**, thanks to the integrated stock management system across stores and online, optimising our ability to deliver products more conveniently: regardless of where items are or the physical location of the stock at the time of sale.





INTEGRATION

The increasing digitalisation of our customers gives rise to the demand to be able to complete the purchasing process in a seamless way, interacting interchangeably, transparently and consistently between the different sales channels.

This **logical integration of the stock** involves the extreme flexibility and integration of the logistics model, in which each of its components does not have a statically assigned set of functions, but rather shows great multi-functionality and versatility. This gives them the ability to dynamically adapt to respond to our customers' demands, establishing dynamic flows of stock among the different components allowing, for example, placing online orders from the stores and any other possibility that helps to make the item available to the customer as soon as possible.

To ensure the **unified vision of the stock and its optimal movement** between the components of the system, we had to develop information systems that enable the **processing in real time of product movements** in all locations where stock is located, both in the distribution centres equipped with *Internet of Things* technology, and in the stores using

RFID technology, as well as at the headquarters of our logistics suppliers, with whom there is total integration.

Finally, the unified processing of the stock has also transferred some **highly demanding capacity, speed, efficiency and scalability requirements to the logistics infrastructures** of the distribution centres. For this, some significant innovations have been introduced in the different areas of the centres, such as the multi-shuttle and hyperloop systems, dynamic buffers, automated inductions, air palletising system and automatic guided vehicles (AGVs), among others. Control of these logistics infrastructures has required a change of paradigm in control systems governed by warehouse management systems (WMS), to have a unified vision and control of stock by location. It has also allowed us to prepare deliveries in an orderly, dynamic and consistent way to the various destinations where stock is to be located.



PROJECTS		GOALS
INTEGRATED STOCK: "SINT"	Innovation that allows the adaptation of the functions performed by the stores . In this way, apart from handling sales locally, the stores prepare e-commerce orders. To meet the needs of our customers, the stores can be dynamically integrated with the warehouses to perform the different order preparation phases (picking, product preparation, packaging).	<ul style="list-style-type: none"> - Increasing the quality of the service offered to the online channel customer - Ability to adapt to the customers' needs - Balance of the operational needs of stores and distribution centres
LAPA	Development of a high-capacity RFID reader for stocktaking in stores with high volumes of items.	<ul style="list-style-type: none"> - Elimination of bugs that could impact the management of the integrated stock - Reduction of time for stocktaking
XWMS	This innovative warehouse management system is a key element in providing our logistics model with the flexibility and versatility necessary for unified stock management. Equipped with the advanced technology developed internally by Inditex, the XWMS is capable of managing the distribution of the mixed integrated stock (parcels and hanging garments), in an orderly manner according to multiple criteria (collection, SKU, etc.) through shipments whose frequency is configurable for each store depending on the needs of our customers.	<ul style="list-style-type: none"> - Boosts integrated stock performance - Higher levels of service for our customers
LOGISTICS CONNECTION POINT AT LELYSTAD	It is the clearest exponent of the new paradigm of versatility and adaptability required in distribution centres to tackle the challenge of managing integrated stock. This logistics connection point located in the Netherlands, is devised to operate fully with integrated stock, incorporating the latest innovations in technology and automation of logistics infrastructures, especially for hanging garment management, as well as the most advanced warehouse management system that allows automated management of traffic flows.	<ul style="list-style-type: none"> - Flexibility for the processing of integrated stock - High-performance to respond to the Group's growth





AVAILABILITY

A satisfactory shopping experience will depend on our customers having access to the product they want, wherever and whenever they want, through a simple, agile and seamless purchasing 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. The **design, manufacturing, storage, distribution and sales processes** must work in a perfectly coordinated and efficient way to achieve that goal with maximum efficiency.

To ensure the proper and prompt availability of the items, we develop **advanced analytical tools** that allow us to estimate the demand for our products, incorporating

our knowledge about changes in trends, the influence of external events and consumption habits. By therefore combining technology and business knowledge, we try to optimally and efficiently position the minimum stock necessary to complete the entire sale in each location, both for the stores and for the online channel. In this way, we help reduce the minimum stock necessary to satisfy the customer's purchasing need, **avoiding excess production and achieving a sustainable balance of the units produced.**

PROJECTS	GOALS
<p>DEMAND FORECASTING</p>	<p>In order to ensure the availability of products for our customers, we use machine learning models to determine the optimum stock that each point of sale must have, both as regards new products and product to be restocked. The initial predictions are subsequently reviewed and checked against the data obtained in real time and the customer's knowledge of our sales teams, allowing the supply to be adjusted. To this end, continuous or variable frequency distribution systems are used, depending on the needs.</p> <ul style="list-style-type: none"> - Better adaptation to product demand - Minimisation of excess stock - Production process optimisation
<p>ANALYTICAL SEARCH ENGINE FOR COMPARABLE PRODUCTS</p>	<p>Trying to anticipate how our products will be received commercially by our customers is an especially complex exercise for new products, since such items are subject to great volatility and there are no historical behavioural data on which estimates can be based. In collaboration with the Massachusetts Institute of Technology (MIT), we have developed an analytical search engine for comparable products based on artificial intelligence that allows us to make an extremely accurate estimate of the behaviour of the demand for new products.</p> <ul style="list-style-type: none"> - Better demand forecast for new products
<p>ESTIMATION OF TRANSPORT VOLUMES</p>	<p>Adequate planning of transport flows is necessary to assure our customers that products are available. Our logistics model requires accurate estimates of the transport needed, taking into account the characteristics of the products to be transported, as well as their packaging. By using technology, we can make accurate estimates of the required volume based on the mix of products that have to be transported. This ability to predict transport volumes enables better planning and optimises the load of the modes of transport.</p> <ul style="list-style-type: none"> - Long-term improvement in product availability - Optimisation of transport flows - Reduction in the carbon footprint of transport operations
<p>CORE ANALYTICS</p>	<p>A platform developed internally by our teams, which conducts a real-time analysis of the information events generated by the online sales platform and enables them to be used in a consolidated manner, both for analysis and for publication in the different corporate reporting tools.</p> <ul style="list-style-type: none"> - Early identification of pain points in the purchasing process of our customers for immediate application of corrective measures - Lessons learned as a basis for introducing improvements in the purchasing process





SIMPLICITY

The simplicity of the purchasing process is one of the factors that most influences our customers' degree of satisfaction with the shopping experience.



DISCOVERY

We perform active listening on the messages arising from item searches both in stores and in the online channel. Then we process them using innovative analytical systems that allow us to create product coordination proposals to satisfy our customers' needs, facilitating their decision-making.



SELECTION

We help locate the desired products in a user-friendly way, through product coordination, supplemented by its geolocation and its virtualised presentation, both through the customer's mobile application, and through the iPod used by our people in-store.



FITTING

We strive to eliminate waiting times associated with **garment fitting**, allowing our customers to book fitting rooms in advance through the mobile application or through an in-store device. Our customer can therefore continue to enjoy the shopping experience until they are communicated by means of a message that a fitting room is available and they can continue with their purchasing process.

ACQUISITION

In the **final acquisition and payment phase**, we innovate to offer our customers alternatives that simplify the process and minimise the waiting times of our customers:

- / Developing predictive systems that reduce queues by **adaptively configuring the number of checkouts** we provide for our customers, and simplifying the procedures and validations of checkout processes.
- / Offering our customers **self checkouts** and **mobile checkouts**.
- / Maximum optimisation of the **navigability and visibility of the products on the online platform**.
- / Generating **options that facilitate the in-store collection of items**: we notify our customers by means of a **message of the availability of the order**, we perform an accelerated identification of the customer and the order by **using QR codes** and we offer the possibility of **collecting the order in automated silos**.

This **global process of accompanying** our customers in the purchasing process, which has been our traditional focus around which the business model has been developed, is currently boosted by the use of innovative analytical systems that allow us to process and analyse in real time

our customers' interactions with us, and, always with the premise of respect for privacy, to develop simple purchasing processes adapted according to our customers' changing tastes and needs.



Building customer trust

In Inditex we are aware that our customers' expectations are not founded solely on the excellence and quality of the products and integrated service that we offer them. They also demand being assured that all our practices are implemented under **the most demanding premises of efficiency, sustainability, diversity, responsibility, transparency, commitment and contribution to social well-being.**

For this reason, our innovation is also primarily focused on this element of trust, through projects with an **ongoing commitment to generate positive impacts** on the people that make up Inditex, on our supply chain, on the environment, and, in general, on all the communities and environments in which we operate.



PEOPLE

The key to ensuring that all our innovative capacity is placed at the service of the customer lies in the people that make up Inditex.

Therefore, and to ensure that people remain a **continuous source of innovation**, we concentrate our management on being **able** to reach more innovative talent, **developing** various strategies to guarantee their development and growth in the Group.

To do so, we innovate our way of attracting, training and promoting the development of our employees, concentrating each talent on the tasks that enable them to add the most value to the Company.



TALENT ATTRACTION

We innovate in the development of new initiatives to get to know our candidates and **to attract talent based on inclusion and diversity.** Through creative formats and initiatives, our goal is to attract the best talent and **relate to our candidates in a different and original way.**



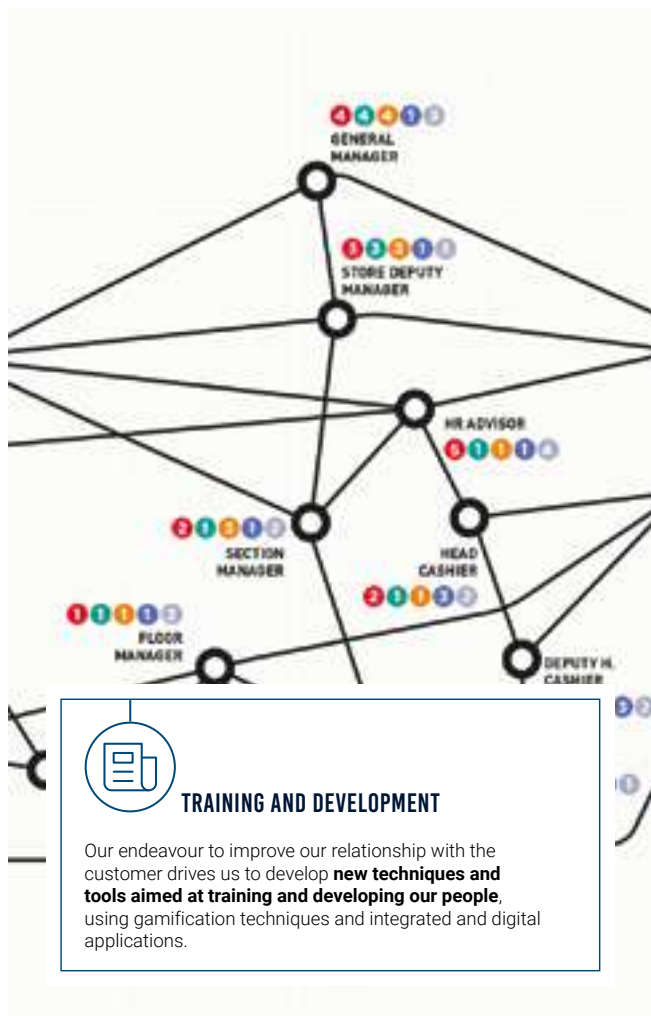
REMUNERATION

We design remuneration systems that constantly adapt to our business goals, **aligning our people with the Company's strategic priorities.** This year, for instance, **sustainability-related goals have been included in variable remuneration.**



PROCESS AUTOMATION

We work collaboratively in the development of new **automation techniques for more repetitive processes**, which allow faster and more secure operations. They also allow our people to focus on higher value-added activities and put their talent at the service of our customers.



PROJECTS

INDITEX CAREERS

New job portal fully oriented to the candidate and committed to communicating our values, our work philosophy **#morethanajob**, the **benefits we offer our employees** when forming part of the Group and some tips for preparing an interview.

Our website, available in 24 languages and providing service to all the markets in which we operate, is an accurate expression of the diversity of our people.

DATA GO

Initiative to foster STEM talent in which, as an online challenge, the development of proposals for solutions to actual business cases is proposed. A **global, online and open opportunity** in which any candidate can demonstrate both their technical capability in Data Science and their personal skills.

LEAP&CO

A **mobile application** that makes **in-store growth opportunities visible to all our people**, fostering the autonomy of *managers* to oversee their teams' development plans, promoting transparency to ensure equal opportunities in our internal promotion, and providing a paperless means of sustainable training.

GOALS

- Greater **accessibility for candidates (WCAG International Web Accessibility Certification, with AA-level conformance)**
- Greater knowledge of the work philosophy, and the ins and outs of a working day at Inditex.

- Greater **STEM talent attraction**
- Group's positioning in the Tech community

- Greater transparency regarding **in-store development opportunities**
- Optimisation of development plans

 More information about our people in the chapter *People, the most important part of our transformation* from page 59 of this Annual Report.



INDUSTRY

A cornerstone for ensuring the trust that customers place in us is our commitment and willingness to continuously improve the efficiency of our processes and operations, as well as people's working conditions in relation to our activity and the ecosystem in which we operate.



In this respect our objective is to optimise technology, transparency, procedures and standards, which allow us to guarantee the comprehensive and collaborative fulfilment of the exhaustive **social, environmental and product health and safety criteria** that we have developed.

Our innovative and transformational drive is not solely limited to optimising our own systems and improving supply chain control tools and methodologies. **Our unique, far-reaching approach** helps to **create and promote innovation** and transformation among our suppliers, who are encouraged to make continuous improvement efforts to comply with our rigorous standards.

In a global and changing environment, one of the greatest challenges that companies face today is to **unequivocally trace who, when, where and under what conditions** all commercialised items are manufactured. This challenge is especially complex in the textile industry, which involves the manufacture of a high number of very heterogeneous items, each of which requiring different raw materials. Their preparation may comprise many different stages, materials or processes that involve the interaction of various sectors. For this reason, we continuously strive to develop **applications, methodologies and systems** that help us to achieve that goal.

With a global supply chain, we devote extensive efforts to making each of the actors involved in our productions visible, in order to ensure that they all meet Inditex's

sustainability commitments. In recent years, in Inditex we have worked to have the tools and processes to enable us to identify all suppliers and factories involved in production.

More than a decade ago we internally developed the first digital traceability management platform in which all our suppliers report on all the factories and processes involved in producing our products.

We are in the process of extending the scope of the information we gather and verify, as well as the technology and methodology used. The goal is to transition from the initial approach on the finished product, to the inclusion of all the processes involved in manufacturing, and finally reaching raw materials.

In this regard, we work on the design of **advanced mobile applications** that seek to collect, document, and evaluate accurate and appropriate information in real time, as well as on the development of technologies that make such **information available to all the players transparently and automatically** (auditors, suppliers, and sustainability and purchasing teams) through the **integration of all the systems and platforms** involved. By doing so, we work continuously with the aim of achieving more streamlined, secure, operational and digital decision-making.

Our objective is not only to participate in the innovation processes that generate improvements in our supply chain processes and facilities. Our ambition and our

commitment is to make our talent and ability to innovate and transform available to people and communities and accompany them in the process. In this sense, among the various initiatives we develop, it can be highlighted our **programme to improve working conditions based on the Lean methodology**, according to a disruptive approach, in which the main focus is to prioritise the worker, and the enhancement of production processes is the driving force for improving its working conditions.

Beyond the workplace, we also develop innovative initiatives aimed at **improving the quality of life of workers**, promoting the use of mobile banking tools for the digitization of wages, and fostering and facilitating the use of digital tools for family communication, in addition to others. In an unprecedented way in the sector, we carry out **research work in social sciences** to explore workers' needs and collaborate with suppliers

in programmes to improve and implement actions that meet the needs detected.

 For more information on the initiatives implemented in the field of innovation to improve the quality of life of workers in the supply chain, see section *Social management of the supply chain*.

We believe that we must innovate not only in aspects directly related to our company and our business model, but from an **overall perspective focused on the development of open and shared actions** to achieve a sustainable and complete transition towards circularity in the textile sector, as a whole, including industries, processes and auxiliary services. To achieve this, we adopt an **open, proactive and collaborative approach** with other organisations, to generate a positive impact, striving for the widespread adoption of the best sustainable practices in the industry.



PROJECTS	GOALS
<p>TRACEABILITY MANAGEMENT</p> <p>We manage the full sustainability of the entire supply chain from a completely disruptive approach, both for its broad scope (seeking to identify and also detail the origin of the fibre with which our products are manufactured) and for its holistic conception, which combines the collection and verification of information related to social, environmental and product health and safety aspects in an integrated way. For this approach to be realised and implemented, powerful technological tools are being developed to enable us to collect the necessary data, facilitate its verification and transform it into structured information that is effectively integrated into the systems of all the players involved (auditors, suppliers, and sustainability and purchasing teams) through the integration of all the systems and platforms involved, allowing dynamic and effective management and evaluation.</p>	<ul style="list-style-type: none"> - More and better information for decision-making - Better availability of information for diverse purposes
<p>DIGITAL FINANCIAL EVOLUTION</p> <p>Development of an advanced electronic invoicing portal, whose purpose is to provide greater visibility to suppliers on the situation of the products sent, increase efficiency in the management of documentation, automating and digitalising all processes related to the management and payment of invoices, and providing financial support for suppliers.</p>	<ul style="list-style-type: none"> - Better supply chain liquidity due to the possibility of access to financing - Better real-time visibility and management



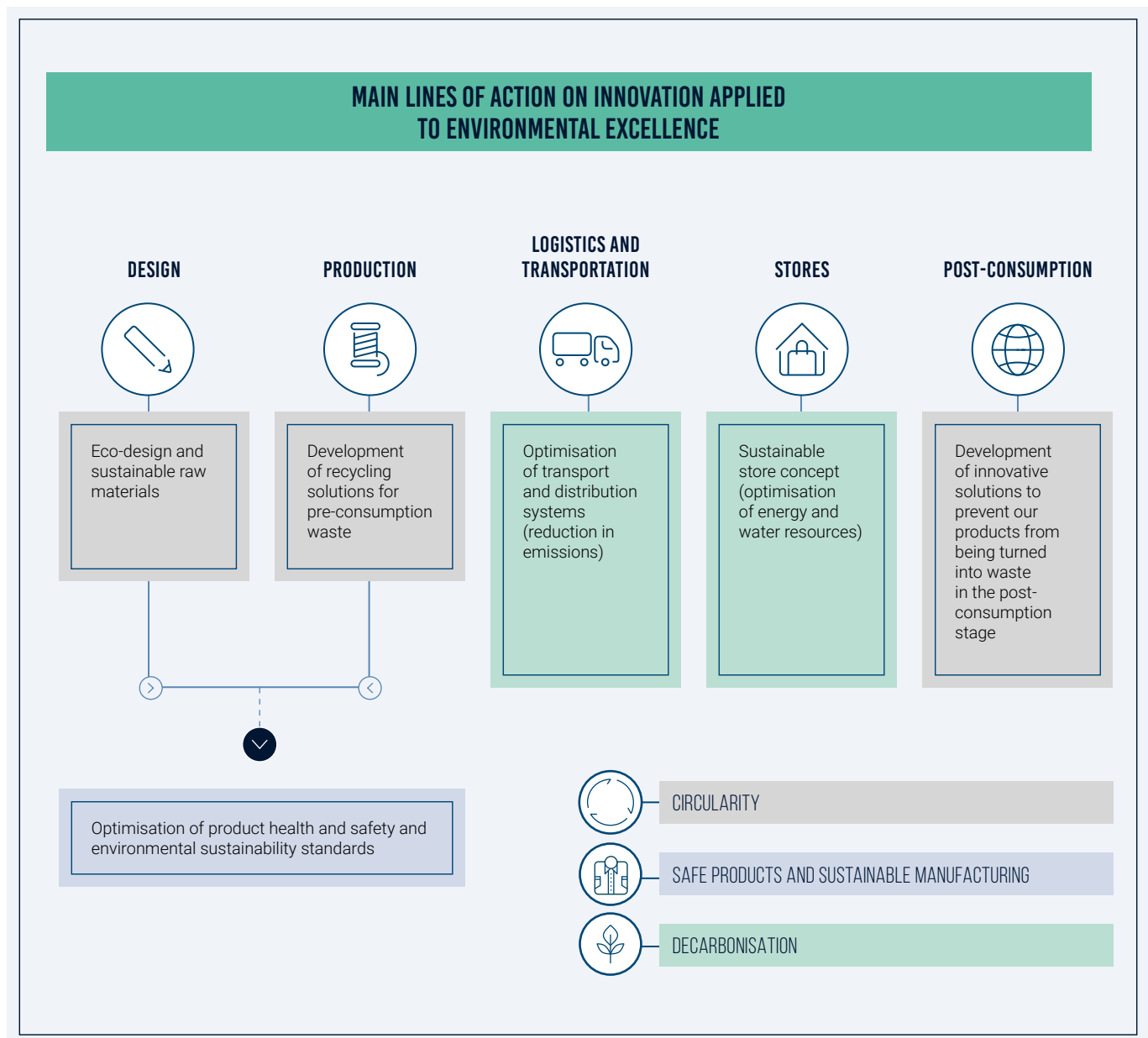


PLANET

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

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To achieve this, we adopt an **open, proactive and collaborative approach** with other bodies, to generate a positive impact, striving for the widespread adoption of the best sustainable practices in the sector.





Circularity

We focus on the development of new solutions to achieve the goal of eliminating the waste we produce. We tackle this ambitious challenge from three parallel and complementary approaches.

Our goal of zero waste is not only limited to the textile field. The global transformation commitment also encompasses waste generated from packaging, transportation, as well as in our stores, logistics centres and headquarters.

 More information in the Circularity section in the chapter *Global and cross-cutting sustainable approach* on page 175 of this Annual Report.



ECO-DESIGN AND SUSTAINABLE RAW MATERIALS

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 **Sustainable 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.



DEVELOPMENT OF SOLUTIONS FOR PRE-CONSUMPTION WASTE

Two innovative pre-consumption waste **recycling loops** have been launched:

- / Cutting waste from our factories.
- / Non-marketable second quality leftovers from our suppliers.

For the first loop, systems have been developed that allow the collection of this waste, its classification and its deconstruction into fibre for the **manufacture of new garments**. For the second, collection loops have been developed for those garments manufactured by our suppliers and which cannot be marketed because they do not meet Inditex's quality requirements. These garments are classified, by composition for example, for their later **recycling or donation**, where appropriate, giving them value and preventing their disposal in a landfill.





RESEARCH IN RECYCLING AND NEW FIBRES

We have innovated with the establishment of our **Closing the Loop programme** for the collection of garments and we collaborate with prestigious entities, such as the *Massachusetts Institute of Technology* (MIT) and *Cáritas*, among others, to move forward in **physical and chemical textile recycling** processes and technologies that make it possible to develop a new life for our products once they are no longer useful for our customers.

PROJECTS

FED PROGRAMMES

We are involved in FED (*Farmer Engagement and Development*) programmes with the **Organic Cotton Accelerator (OCA) in India, making organic-cotton farming a viable and sustainable alternative for farmers, while, in turn, improving their working conditions.** Through this initiative, which has directly impacted more than 5,000 farmers and their families, we are helping to create a safe market for this collective, encouraging organic-cotton growing thanks to improved profitability and ensuring the transparency and source from the time the seeds are sown.

GREEN TO PACK

Cross-cutting project aimed at developing new packaging and operating solutions **that optimise the use of resources, promote the use of recycled materials and allow reuse and increase the useful life of the materials we use.** In addition to improvements from the environmental point of view, better traceability and fewer packaging-related incidents have been achieved.

SINGLE HANGER

Through the design of a single hanger concept, valid for the entire process from manufacturing, transportation of textile suppliers to stores through to store display, material consumption and waste generation have been optimised. In addition, recycling techniques have been developed for subsequent reuse in the manufacture of perfume stoppers, contributing to the goal of zero waste.

GOALS

- Improvement in working conditions of farmers
- Solution to the current problem of shortage in this raw material
- Traceability control

- Lower resource consumption
- Greater use of recycled materials
- Promotion of reuse
- Higher quality and traceability

- Lower resource consumption
- Lower generation of waste
- Promotion of recycling and reuse



Safe products and sustainable manufacturing

Two of our overriding priorities are: **offering our customers healthy and safe products** and toxic-free and sustainable manufacturing processes, in line with the **Zero Discharge of Hazardous Chemicals (ZDHC) commitment**. Both objectives are directly related and linked and can only be achieved through research and innovation.

To achieve this we have developed **pioneering and revolutionary research programmes**, unprecedented in the sector, aimed at a better understanding of the characteristics of both the substances that may be present in production, and of the commercial chemical products

used throughout the entire manufacturing chain. These initiatives, of a marked scientific nature, openly cover all the chemicals and substances present in the processes involved in the textile industry in general, and not only in the operations of our production chain.

The knowledge generated in these programmes, together with our in-depth knowledge of the supply chain, allow us **to optimise our advanced product health and safety and environmental sustainability standards**. To ensure compliance, it is also necessary to continuously innovate in various dimensions.

 More information in the Product Health and Safety section in the chapter *Global and cross-cutting sustainable approach* on page 152 of this Annual Report.

PROJECTS

THE LIST, BY INDITEX

Revolutionary research programme carried out in partnership with the chemical industry, which is **enabling an objective and public compilation and classification of commercial chemical products used in manufacturing processes**. And not only considering the production process, but also the supply chain. Initially, this programme was approached from the perspective of determining the presence of prohibited substances in products. Its **scope has been widening** and, currently, products are being studied from a more holistic view that **includes criteria such as helping to save water, energy and materials and contributing to the final life of the products**.

GOALS

- **More information on chemicals used in manufacturing processes**
- **Promotion of the use of products with a more positive evaluation in terms of safety and sustainability**
- **Promotion of innovation in the chemical sector**



OPTIMISATION OF PRODUCT HEALTH AND SAFETY AND ENVIRONMENTAL SUSTAINABILITY STANDARDS

PARTNERSHIPS FOR COLLABORATIVE INDUSTRIAL RESEARCH WITH LEADING COMPANIES

We have begun to develop benchmark industrial partnerships in the sector geared towards innovation and R&D in new chemical substances and products and alternative and more sustainable manufacturing technologies and processes (*Sustainable Chemistries and Sustainable Manufacturing Technologies*).

See Case Study on Industrial Detergent.

ACCOMPANYING OUR SUPPLIERS IN THE INNOVATION NECESSARY FOR THEIR SUSTAINABLE TRANSFORMATION

Here we apply our in-depth knowledge of the production processes and results of our R&D activities for the generation of **Good Practice Manuals** that we make available to the sector.

We have also launched a technology transfer programme (TMTA, *Tailormade Technical Assistance*) in which we design tailor-made solutions to foster the innovation of our suppliers and accompany them in the transformation of their processes.

In parallel, we work on the continuous development of **new faster and more efficient analytical chemistry techniques, adapted to the enormous complexity and heterogeneity** of the huge number of samples that we have to analyse, as well as the development of new kits and mobile miniaturised devices that allow quick analysis in situ, guaranteeing the health and safety of the products and enabling early and effective decision-making.

We also develop disruptive systems for the statistical analysis of data and results for continuous improvement of control programmes and for the design of tools that make it possible to predict risks and act before they occur. We use all the knowledge generated to design and propose alternatives and new production systems in order to guarantee our consumers that our products are completely safe and have been manufactured in an environment free of the presence and spillage of dangerous substances.



CASE STUDY **Reduction in water consumption due to use of new detergent in industrial washing.**

/ As a result of the innovative industrial collaboration in partnership with BASF, one of the chemical industry worldwide frontrunners, we have identified and corroborated the huge positive potential of **a new detergency ingredient that substantially lowers the consumption of water, energy, and manufacturing time** in the processes of dye washing-off and printing with reactive dyes.

/ The use of ingredients included in the formulation of household detergents in the first reactive wash-off results in a **saving of up to four industrial wash-off baths (*)**:

CONVENTIONAL REACTIVE DYEING PROCESS	WATER CONSUMPTION
	4 drops
SUSTAINABLE DYEING PROCESS BY EXHAUSTION WITH REACTIVES	WATER CONSUMPTION
	2 drops

IMPROVEMENTS

- / 25-40% water consumption
- / (0.5%)-10% production cost
- / 40-60% CO₂ emissions
- / Microfibre released

SAVINGS

- / Durability
- / 25-40% productivity

POTENTIAL WATER-SAVING PER YEAR

+3,500 LITRES

(*) Improvement limited to consumption of the washing process: stages 2 and 3 of the infographic. Each drop represents a washing cycle.



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 items available to our customers are carried out under the premises of **efficient use of resources and decarbonisation**.

In order to reduce emissions from transport processes, we **actively collaborate with other organisations** for the design and development of innovative multimodal containers, adapted to our business model. Some of these designs have been patented.

We are also continuously working on new approaches aimed at optimising and **improving our sustainable store concept**, with a comprehensive holistic approach. In Inditex we are pioneers in the development of energy consumption management and control systems for our stores, through the development of tools that allow us to monitor and know in real time and centrally the energy consumption data of all our stores. These systems enable immediate and centralised energy management and the possibility of taking remote immediate actions with no need for visits or physical intervention.

 More information in the Decarbonisation section in the chapter *Global and cross-cutting sustainable approach* on page 160 of this Annual Report.

PROJECTS

MANAGEMENT OF ENERGY CONSUMPTION

For the continuous monitoring in real time of the energy consumption of the stores, an **Energy Control Centre** is being set up set up to collect **information on electrical consumption in stores** (interior and façade lighting, store windows, air and dynamic marketing screens) and **to allow remote management of switch on and off times**. It also makes it possible to receive alerts and manage certain incidents remotely. This centre monitors savings in consumption and costs, enabling better decision-making that results in better management of energy consumption.

GOALS

- Remote and real-time consumption management.
- Management centralisation
- Optimisation of energy consumption





COMMUNITIES

For the implementation of our investment programme in the community, we establish social innovation criteria in selecting the initiatives that we finance, prioritising new approaches and different ways of addressing and resolving social needs. The projects we support must be more sustainable and effective than any carried out to date.

In turn, we apply an innovative approach to the design of our social programmes investment model, **prioritising and selecting the most disruptive initiatives** that contribute to the overall improvement of well-being in the communities where we are present. In this respect, we invest in research projects on new diseases, development of new health care protocols, improvement in the provision of water and sanitation in developing countries, and research projects in the field of education and the social economy.

We also develop methodologies, systems and metrics that allow us to analyse and quantify the positive effects produced in the beneficiaries of the projects implemented, both in terms of depth and type of impact.

 More information in the chapter *Working for the Community* on page 221 of this Annual Report.

PROJECTS	GOALS
<p>FOR&FROM</p> <p>Programme for the socio-labour integration of people with disabilities by creating a network of stores managed by non-profit associations with expertise working with the disabled. Following an initial donation from Inditex to get the store up and running, the for&from Programme becomes self-sufficient by selling prior-season products at reduced prices.</p>	<ul style="list-style-type: none"> - Quality employment for disabled people - Financial autonomy of the initiative
<p>WATER.ORG</p> <p>Collaboration with Water.org to develop new solutions that facilitate access to drinking water and sanitation for people with limited resources through two complementary channels: through the empowerment of an innovative system of provision of microcredit to low-income women in developing countries and by establishing a pool of funds for research and development of new methods to combat the water crisis.</p>	<ul style="list-style-type: none"> - Improved health conditions for over a million people in Bangladesh, Cambodia and India
<p>EVERY MOTHER COUNTS</p> <p>Project designed to help curb the number of deaths of women and children from pregnancy-related causes that could be avoided by developing adequate preventive programmes. The project consists of developing new initiatives aimed at raising awareness and also developing new health care protocols to help drastically reduce this problem.</p>	<ul style="list-style-type: none"> - Improved health conditions for pregnant women in Bangladesh and the United States



A relationship based on trust

Response to our customers

In Inditex we believe that a successful shopping experience does not end at the time of sale. For this reason, we seek a fluid relationship, based on trust, with our customers. With this objective in mind, we train our teams in product knowledge, store processes, customer orientation, respect for diversity and inclusion.

The profiles of our brands on social media are one of the channels where there is greater interaction with customers. Through them, our brand teams communicate the news,

the campaigns or the editorials that reflect new trends present in our collections. In 2019, these profiles have continued to add followers, reaching over 175 million (22% more than at the end of the previous year).

Through these channels, along with the requests via phone, email, the chat for each brand or WhatsApp, Inditex received more than 30 million customer contacts from around the world. Our teams achieved a service level of 95% of them.

RESPONSE TO OUR CUSTOMERS IN 2019

	NUMBER CONTACTS	SERVICE LEVEL	NUMBER SERVICES FULFILLED
ZARA	21,559,476	97%	20,912,691
PULL & BEAR	1,820,713	86%	1,565,813
MASSIMO DUTTI	2,010,181	93%	1,869,468
BERSHKA	1,161,875	92%	1,068,925
STRADIVARIUS	1,212,346	71%	860,766
OYSHO	889,846	99%	881,214
ZARA HOME	1,368,310	93%	1,278,275
UTERQÜE	90,635	85%	76,904
TOTAL	30,100,931	95%	28,514,056

MAIN SOCIAL MEDIA SITES OF OUR CHAINS BY NUMBER OF FOLLOWERS

	INSTAGRAM	FACEBOOK	TWITTER	WEITAO	WECHAT	OTHERS	TOTAL
ZARA	38,800,000	27,900,000	1,415,201	19,830,000	2,700,000	5,666,729	96,311,930
PULL & BEAR	6,700,000	7,100,000	375,408	-	297,354	330,502	14,803,264
MASSIMO DUTTI	2,325,663	4,252,307	80,636	3,860,000	256,003	317,740	11,092,349
BERSHKA	8,600,000	11,500,000	451,000	-	334,000	2,621,311	23,506,311
OYSHO	2,123,383	3,345,481	116,558	3,549,128	133,605	215,106	9,483,261
STRADIVARIUS	6,700,000	5,900,000	247,000	-	806	159,339	13,007,145
ZARA HOME	5,493,468	2,444,817	83,291	168,000	102,736	205,483	8,497,795
UTERQÜE	623,000	322,400	19,100	170,000	16,300	24,950	1,175,750
TOTAL	71,365,514	62,765,005	2,788,194	27,577,128	3,840,804	9,541,160	177,877,805

Information security, data protection and privacy

Technology helps ensure that a unique relationship is established with the brands and that customers have at their disposal sales channels that allow them to interact with said channels and meet their needs at any time. This shopping experience must guarantee the highest standards of protection regardless of the channel.

To achieve these objectives, the Company assigns the highest priority to the protection of the information and the availability of all processes that support these channels.

This commitment was renewed with the approval by the Board of Directors of the update of the Information Security Policy at its meeting on 10 December 2019. This Policy establishes the principles and guidelines with which Inditex will protect information in accordance with applicable regulations and with its ethical values, as well as with the provisions of the Regulations of the Information Security Committee, which were also updated during 2019.

Aware of the importance of continuing with a process of continuous improvement of the Information Security management model, the Group continues to make investments to have technologies and controls in place to achieve these objectives through the work carried out by the Department of Information Security with the supervision of the Information Security Committee.

In addition to continuing with projects begun in previous years to protect the face-to-face sales channel, including the deployment of specific equipment in stores, control programmes and procedures, it has also strengthened initiatives to protect and test the resilience of the online sales channels, as well as the rest of the processes supporting these channels. As a new development, during 2019 a private rewards programme was launched to identify possible improvements in our online channels.

As a guarantee of this commitment, we have renewed the ISO 27001 certificate, the international information security

management standard, and the accreditation on the security of the PCI DSS means of payment (*Payment Card Industry – Data Security Standard*), in addition to carrying out various internal and external controls and audits.

We are also focused on our customers from a data protection and privacy point of view. Privacy is one of Inditex's main values. We encourage the innovation, participation and creativity of our employees, based on compliance with data protection and privacy regulations.

In this way, all projects that arise with the aim of improving the customer's shopping experience and that involve the processing of personal data are created with privacy incorporated in their design and by default, so that the personal data of our customers and employees are protected in accordance with applicable regulations and the internal standards adopted by Inditex.

In this regard, in June 2019, the Board of Directors approved the Compliance Policy on Personal Data Protection and Privacy, which establishes the principles and commitments that the company applies to (i) ensure compliance with data protection and privacy regulations in all jurisdictions where it operates and (ii) guarantee the rights and freedoms of all stakeholders (customers, users, employees, etc.).

Likewise, we continue to work on promoting transparency and information on the use of our customers' personal data, aligning our policies and procedures on privacy and data protection with the requirements and rights set forth in the EU General Data Protection Regulation (GDPR).

We continuously improve our information security and data protection and privacy management model, through the work of the Information Security and Data Protection and Privacy Departments, as well as with the supervision of the Security Committee and the Group's Global Data Protection Officer (DPO).

