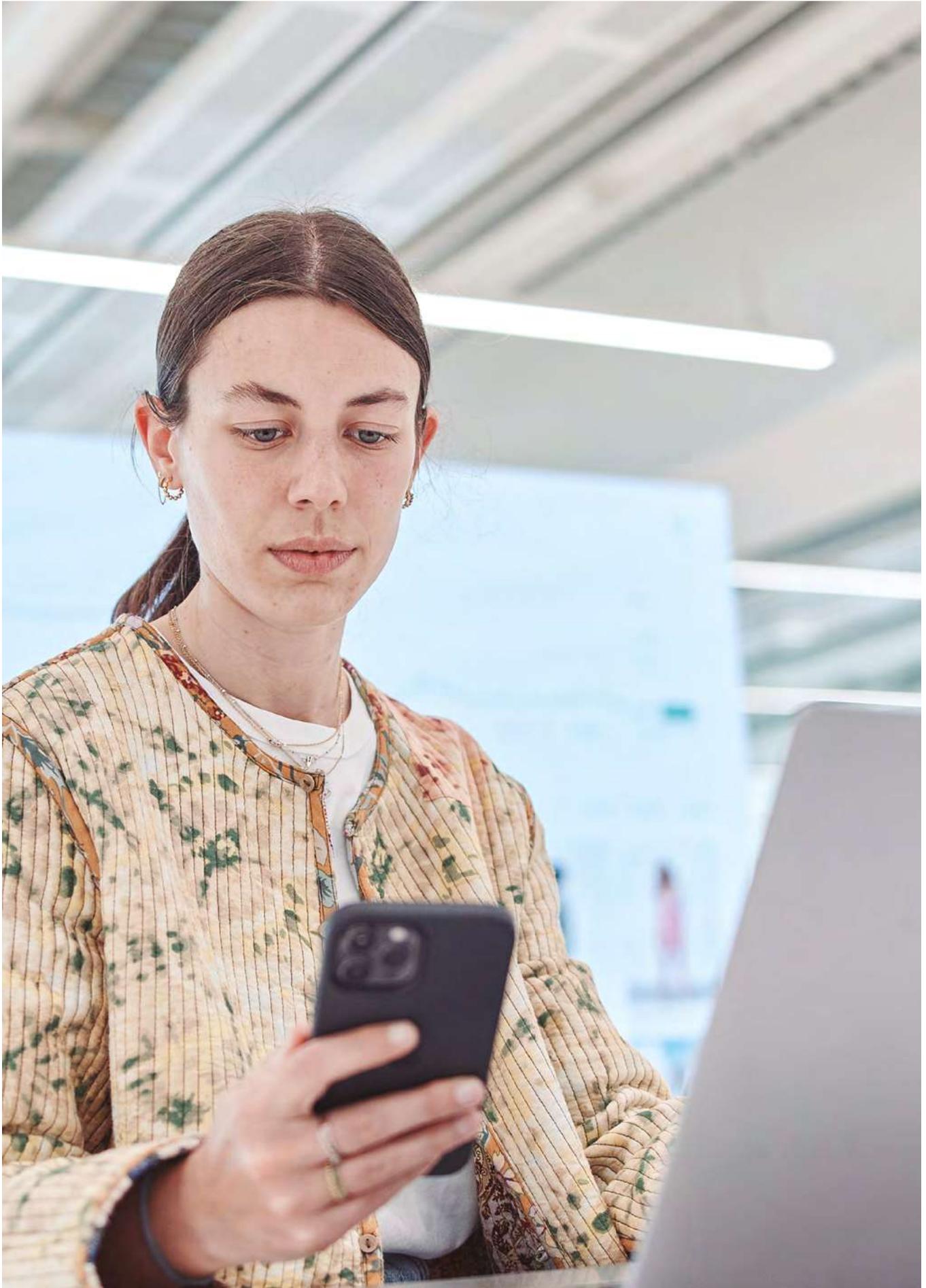




2 Drive

*2.1. Innovation / 2.2. Diversity, inclusion, equality, and work-life balance /
2.3. Talent management / 2.4. Remuneration policy / 2.5. Shareholder relations /
2.6. Tax contribution and tax transparency / 2.7. Contribution to the socio-economic
development of workers and the industry / 2.8. Circularity*



Innovation



2.1. Innovation



RELATED MATERIAL TOPICS:

INNOVATION; CUSTOMER ORIENTATION



The customer is at the centre of our decisions and business and, therefore, is also the driving force and target of our innovation. Thus, our efforts are always geared towards achieving their satisfaction, either through innovation intended to improve their purchase experience or to ensure their trust by aligning with their expectations in terms of efficiency, sustainability, health and safety, data protection and privacy.

For this reason, our innovation combines a pragmatic approach seeking to generate quick and effective solutions, with a forward-looking approach geared towards sustainability, which allows us to develop solutions to the challenges posed and to contribute, at all times, to generating benefits for people, the planet and strengthening the global economic system.

In this way, we manage not only to transform our Company and our processes, but also our differential approach induces and champions innovation and transformation in the organisations and communities around us, within our suppliers, and it greatly enhances the sectors and communities in which we are present.

This transformation capacity – both in the Company itself and in customers whose needs are met, and, in general, the ability to transform the environment around us positively – is the source of new challenges, new possibilities and new opportunities for improvement that enable new ideas to be generated that again set in motion the circle of ongoing innovation.



*We are investing purposefully in innovation. One of our biggest assets has always been the flexibility of our business model and now, with the addition of digital agility to our operations and customer experience, we are even faster meeting business and customer needs”,
Carlos Crespo, Chief Executive Officer.*

Throughout our history, we have been characterised by anticipating our customers' needs and being able to provide an immediate response, by quickly adapting to the constant changes that occur in the environment. The dynamism and flexibility that our organisation has established since its inception is possible mainly because innovation is an intrinsic part of our culture and constitutes a core pillar of our business model. We constantly develop new solutions, new products, new processes and, ultimately, new ways of doing things, seeking to provide value to our customers and, at the same time, transforming the textile sector, the organisations we work with and the communities that accompany us.

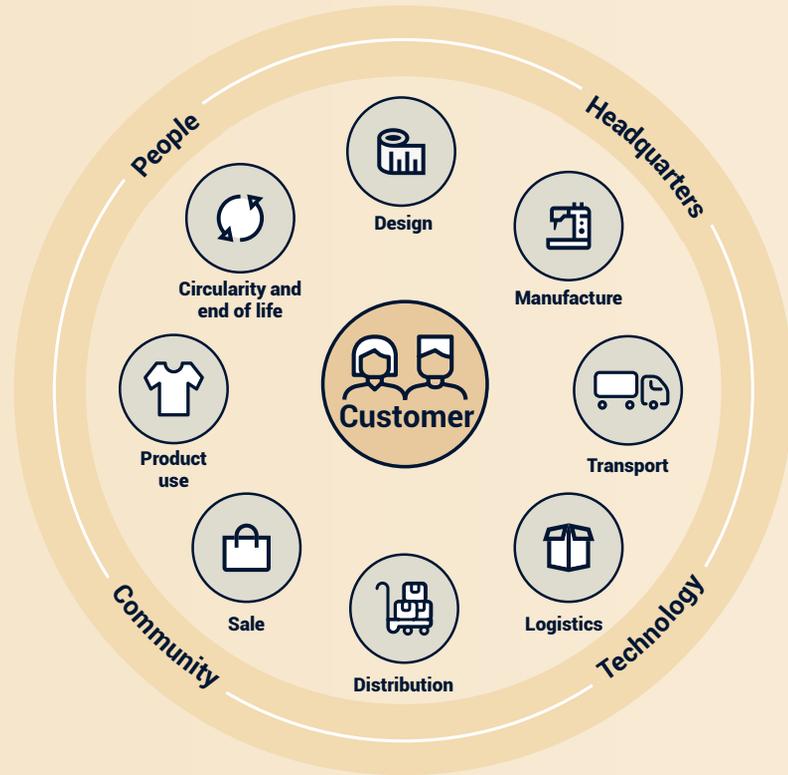
We deem ideas to be the driving force of innovation and we therefore encourage all our employees, regardless of their position, to identify opportunities for change, listen carefully to our customers and actively propose new approaches and proposals. This **cross-cutting** and **decentralised** model also extends to our **suppliers, research centres, universities** and to any organisation, which can propose an idea to be developed jointly, applying, therefore, an **open, cross-cutting, collaborative and participatory model** based on internal and external **talent**.

In order for ideas to be implemented in practice as soon as possible, we are committed to a **dynamic** and **fluid** model in which we incorporate fresh agile working principles and methodologies (*ongoing integration, ongoing delivery*) seeking to maximise the benefits of innovation and early generation of value from the initial stages of the process. The launch of pilot projects to test new ideas enables us to quickly determine their feasibility, as well as to determine optimisation points and acquire the knowledge necessary for scaling, deployment and fast implementation, once their effectiveness has been proven. This scaling and progressive implementation is always carried out under an outlook of ongoing improvement, in which the initial value increases exponentially. Our model gives rise to both the transformation of disruptive ideas into tangible realities and the ongoing and incremental improvement of what has already been established.

We blend creativity, talent, industry knowledge and the ability to listen with the best means, the growing possibilities offered by cutting-edge technology and our distinct nature that is open to change and collaborative, enabling innovation in Inditex not to be understood as a process, a means or an end, but as a fundamental value of our organisation and a differential feature that infuses and defines the daily running of our Company.

Innovation projects

Innovation is an inherent value that is cross-cutting to Inditex's entire business model. To understand the initiatives at the different levels and areas of the Company, we select a series of projects and classify them by different categories, which refer to both the phases of the value chain and to specific attributes and areas of the business model.



DESIGN

- New circularity-focused design techniques (*Circular Design Guide for Fashion*).
- Feasibility of applying monomaterial design techniques.
- Design of new sustainable collections and improvement of the *Join Life* programme.
- Design of new garments based on the reuse of defective items (*Join Life Remade*).
- Development of new standards for the design of more sustainable non-textile products (*Join Life Objects*).

MANUFACTURING

- New safety standard for children's footwear products. (*STW for children*).
- Assessment and characterisation of the environmental performance of adhesives used in footwear. (*The List, by Inditex*).
- New ultrasensitive analytical techniques for the detection of substances.
- New sustainable technologies in dyeing operations.
- Ongoing optimisation and improvement of the standards *GTW 2.0, CTW, I+Cosmetics, I+FCM, I+Home Fragrances & Candles* and *I+Child Care Furniture. I+Home France & Candles*.
- New technologies and development of applications to ensure traceability throughout the supply chain and the integrated assessment of social, environmental and health and safety aspects.
- Development of new systems and circuits for recycling textile waste generated in the manufacturing process (T2TCR).

TRANSPORT

- Digitalisation of transport documentation.
- Transport integration tool.
- Tool for *end-to-end* provisioning management.
- Application for processing and commissioning operations of distribution to stores and *e-commerce* warehouses from distribution centres.
- Automatic sorting of items by image recognition using *big data*.
- Use of sustainable energy sources for transport (electricity, biofuels) and high-capacity vehicles (duo-trailer, giga-trailer).
- Fleet position monitoring system.
- Mobile application for real-time geolocation of transport boxes.
- Using machine learning to plan and forecast units and volumes to transport.

LOGISTICS

- Robotised maintenance systems in *e-commerce* warehouses.
- High-performance RFID reading and recording system.
- Advanced decision-making systems in distribution centres
- Development of *Internet of Things-Cloud* technology for the management and control of distribution centres.
- Omnichannel native warehouse management system.
- Automated transfer system for the packaging of online orders.
- Robotisation of the pallet preparation process.

PEOPLE

- Digitalisation of recruitment and hiring processes.
- Applications intended to develop talent (*in talent, Zara Camp, Leap & Co*).
- Development of internal social network (In Stores).
- Development of a fully accessible proprietary job portal (Inditex Careers).
- Development of payment digitalisation systems for supply chain employees.
- InditexHer programme for the empowerment of women in the supply chain.
- Application of LEAN methodology to supply chain facilities geared towards worker welfare.

TECHNOLOGY

- Advanced integration initiatives with third parties (API Strategy).
- Development of *hybrid cloud* storage systems.
- Implementation of advanced agile development culture and methodologies.
- Evolution of data analytics towards MLOps.
- Advanced in-cloud data governance management.
- Management of the availability and consumption of data for real-time decision-making.
- Adoption of new technology principles: *infrastructure as code (IAC) and continuous integration and delivery*.
- Information security, strengthened systems and processes for detecting, protecting and responding to incidents.

HEADQUARTERS

- Development of sustainable, employer-oriented canteens (360° restaurant).
- Application of the BIM methodology in new construction projects.
- Design of solutions intended to prevent the generation of waste that ends up in landfill (*Zero Waste Programme*).
- New construction technologies and techniques geared towards sustainable construction, taking into account bioclimatic concepts (LEED).
- Architectural design geared towards the health and well-being of employees.
- Use of innovative technology tools, such as double LED screens and WiFi 6 and 5G connectivity (*Zara.com building*).

COMMUNITY

- New business models geared towards social and occupational integration of people with disabilities (*Alentae and for&from*).
- Effective systems and circuit for refugee clothing donation (UNHCR).
- Support for the development of techniques that enable universal access to water (*Water.org*).
- Operational design and effective logistics for the donation of medical equipment.
- Development strategies to combat climate change through efficient forest management based on local varieties (*PICO SACRO*).

DISTRIBUTION

- Search engine for comparables through clustering and image recognition.
- Machine-learning-based delivery forecast model.
- Single virtual stock processing.
- Store clustering according to consumption patterns.
- Automatic recommendations for stores based on product sale behaviour.
- Optimisation of the assortment in stores.
- Demand curve estimate.

PRODUCT USE

- Research and development into technology methodologies and solutions that can mitigate impact in the generation and release of microfibres when washing clothing.
- Design and optimisation of systems and circuits that enable garments to be reused (*Closing The Loop*).
- Study of new materials intended to increase the durability of garments.
- Development of new finishes that require less clothing maintenance (washing, ironing, drying) and reduce the impact of these actions.

SALE

- Integrated stock management (*SINT*).
- Store Mode Experiences (*click&go, click&try, click&find, e-ticket*).
- Advanced management of multiple refunds.
- Customer unified vision strategy (*ZaraID*).
- Autonomous silo for the delivery of *e-commerce* goods (*SiloLV*).
- Integrated process for the sale of multi-brand items (*Shop-in-shop*).
- Technology platform for online operations based on microservices architecture (*Inditex Open Platform - IOP*).
- AI-based search for products on the website.
- Automated *e-commerce* customer service systems.

CIRCULARITY AND END OF LIFE

- Research into the application of ionic solutions and chemical recycling technologies for used garments in order to generate new textile raw materials (*T2TCR*).
- New recycled polyester manufacturing technologies.
- Sustainability Innovation Hub platform for championing and developing partnership projects geared towards the circularity and development of new, more sustainable raw materials.
- New techniques for obtaining recycled rubber from shoe soles.
- Design of a network of textile recycling hubs in Europe (*EURATEX RECYCLING HUBS*).
- New technologies for converting textile and footwear waste into raw materials for other industries (*URV Foundation*).
- Adding recycled materials to our packaging, extending its useful life, and facilitating subsequent recycling (*Green to Pack*).

2.1.1. Improving the shopping experience

The customer is the centre of our business model and, therefore, innovation seeks to constantly improve the core element of our interaction with it: your purchasing experience, in a broad sense. With this goal in mind, we innovate to make the three fundamental attributes that provide our customers with a successful purchasing experience a reality: the **availability** of the items you want; the **ease** of locating and purchasing them; and the **integration** of channels as an element that enables and drives the two above.



Availability

A successful shopping experience relies on our customers having access to the products they want, where and when they want it, through a simple, fast and efficient shopping process that meets their expectations.

The availability of products for customers in a changing backdrop represents a permanent challenge for our business model and constitutes a fundamental driver of innovation in the Group.

With this goal in mind, Inditex is constantly innovating to redefine and set up the various processes that comprise the business model (design, manufacture, purchases, transport, logistics, distribution and sale), endowing them with the characteristics of flexibility and the ability to adapt to changing circumstances in the environment.

The coordination and synchronisation of these processes is based on advanced analytical tools that enable us to identify our customers' needs and propose conventional actions seeking to ensure that their needs are met, whether in terms of product accessibility or improvements in our service offerings.

Achieving the utmost levels of availability and, with this, our customers' satisfaction, sets high demanding targets to our analytical systems, in order to be able to support decision-making in a highly uncertain environment, to predict import and export transport volumes, as well as the specific demand for each item in each of the stores with a view to distribution.



Urban Minihub

The increase in online sales has required us to adapt the model to meet the delivery and availability needs of our items in high-density delivery areas.

These hubs lend the model greater flexibility and enable us to gain efficiency in deliveries to our customers.

This is an exemplary solution of the Inditex innovation approach, by which it seeks to improve the efficiency of processes, as well as to champion environmentally sustainable solutions.

- **Reducing the distances travelled to deliver.**
- **Promoting the use of sustainable means of transport for the last mile.**
- **Increasing the alternatives offered to our customers to return orders.**
- **Developing and fostering local employment.**

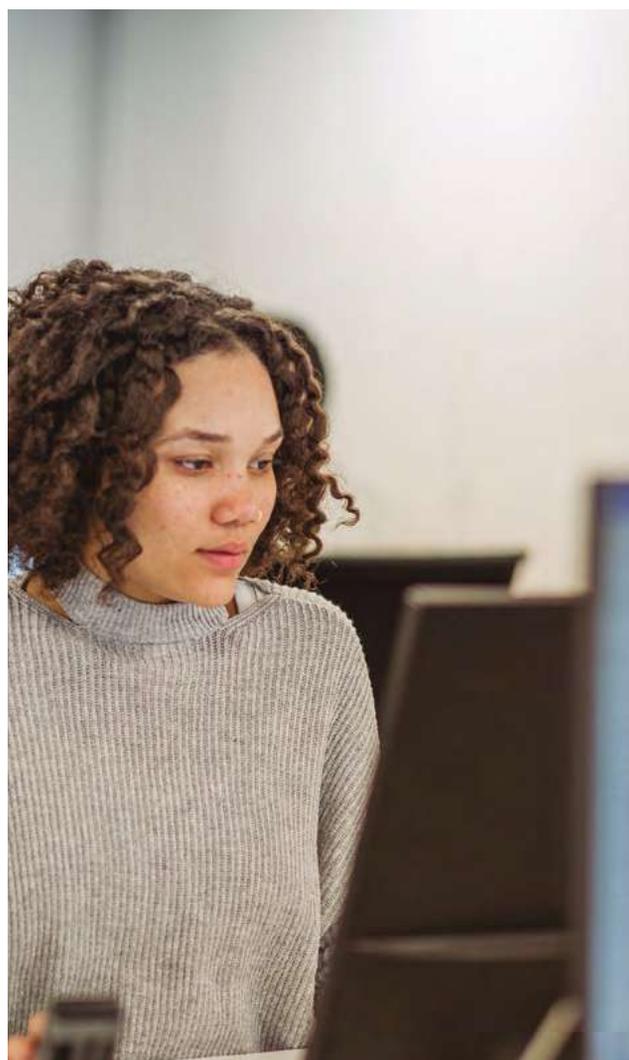
Initial shipments of new items

In order to make the new products available to our customers, we develop advanced models at Inditex to identify the stores where our customers are most likely to make the purchase. These models also enable us to estimate the volume of shipments required for each store, as well as estimate the demand curve, in order to anticipate the behaviour of our customers and to determine the stock necessary to ensure its availability to fulfil the purchase process.

These estimation models are nourished with information from multiple sources and enable dynamic adjustment based on real-time information added into the model.

Inditex has advanced analytics capabilities, providing cross-cutting support to all business areas that require advanced machine learning methodologies to solve complex problems. Similarly, the incorporation of MLOps (*Machine Learning Operations*, referring to the processes of applying an experimental machine learning model to a web production system, i.e. applying *machine learning* to the ongoing development of DevOps) is providing a reduction in the model generation times and enabling early validation of the feasibility of solutions.

- **Ensuring the availability of new products for our customers.**
- **Avoiding excess stock.**
- **Minimising subsequent movements of inventory reposition.**



Retail tool

In order to anticipate the behaviour of store customers and to be able to have the stock necessary to meet their demand, *clustering* models have been developed to identify mirror stores with similar patterns of behaviour.

Identifying mirror stores, as well as estimating the rate of sale of an item, enables us to make prescriptive recommendations, to adapt the exposure of products in store, in line with the pace of sales and to make a dynamic adjustment according to the updated data.

Inditex strives to constantly improve the decision-making process for in-store management by developing decision support systems. Furthermore, Inditex has initiated a partnership with MIT in order to analyse and measure the result of the influence of the human factor in store management decision-making and its impact on the availability of products for our customers.

- **Anticipating the behaviour of customers in a store to ensure the availability of the wish products.**
- **Avoiding stock outs.**
- **Facilitating our customers' access to the wish products.**



Simplicity

Our customer focus approach is an ongoing source of innovation to optimise purchasing experience, making available end-to-end advance tools to complete the purchase path.

We innovate in order to make our customers' purchasing experience an agile, efficient, unrestricted and seamless process, that is flexible and in which the customer can decide, at any time, how to carry out the different stages of the purchase process, including the possibility of partially interacting between the online channel and the store.

In relation to the in-store purchase process phase, the *e-ticket* feature has complemented the experiences of the Zara app Store Mode (geolocation of items, booking fitting rooms, in store collection of online items) to enable our customers to benefit from these tools that facilitate the purchase process.

These experiences lay down the functional and technological bases for providing our customers with all the tools necessary to enable them to complete – in the very near future and, if they so wish – the entire purchasing process fully autonomously, including agile procedures for removing alarms from items.

Smart and prescriptive guided assistance systems to our customers have been promoted in online shopping, based on *machine learning* technologies, implementing proactive guidance in resolving queries and advising on proposed item according to a set of criteria adapted to the customer's circumstances.

Regarding in-store collect, we have continued to selectively implement automated collection points using silos. We are aware of the benefits this type of solution provides our customers in their purchasing experience, thus, we have driven innovation in these systems to cover a wider range of items and to create solutions adapted to space restrictions and integration into the store infrastructure.





e-ticket

This feature lets customers generate a digital receipt that replaces the paper version. We offer the customer the alternative of receiving a receipt in electronic format by scanning a QR code associated with the purchase through our app, using Zara ID.

This feature is perfectly aligned with the paperless initiatives adopted by Inditex, which are geared towards eliminating or minimising the use of paper across all operations, replacing it with electronic formats.

- **Minimising paper consumption, contributing to the sustainability of the process.**
- **Ease of subsequently managing the purchase receipt.**

Multireturn

The return or exchange of items from multiple orders required, up to now, consecutive processing of each one, which consumed our customers' time. By developing the multireturn feature, we can simplify and consolidate the process, reducing the time required by our customers to make a change in size, colour, etc., increasing their level of satisfaction.

The reduction of the times required for the different stages of the purchase process directly correlates with the user experience perceived by the customer.

- **Simplifying the process, increasing efficiency.**
- **Reducing waiting time for customers returning multiple orders.**
- **Reducing waiting times in queues for the rest of our customers.**



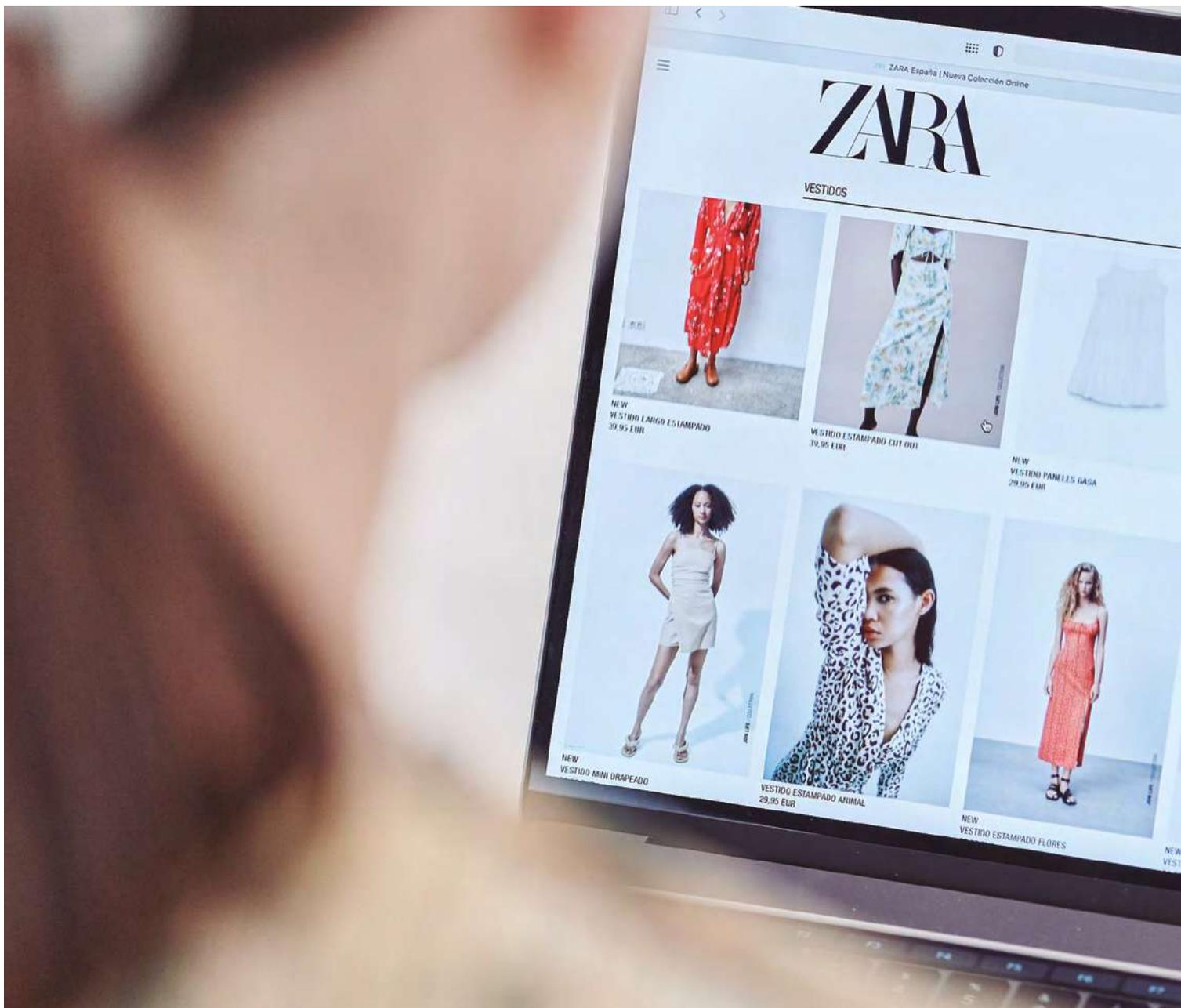
Integration

We are constantly innovating in order for our customer to be able to carry out the purchasing process from any location with a seamless, transparent and efficient interaction between the different sales channels.

Integrating channels is a core element in helping to achieve the prior goals of availability and ease of the user purchasing experience.

Due to the complexity of Inditex's model, effectively integrating a channel is only possible from an holistic approach, which encompasses strategy, structure, processes, data and people.

Innovation in this area seeks to drive the increasing versatility of the various elements of the logistics chain (stores, warehouses, consignment, distribution centres, hubs), providing flexibility in the logical allocation of functions, regardless of the physical characteristics of the element; all of this is also conducted dynamically, in order to meet the changing needs of the environment.

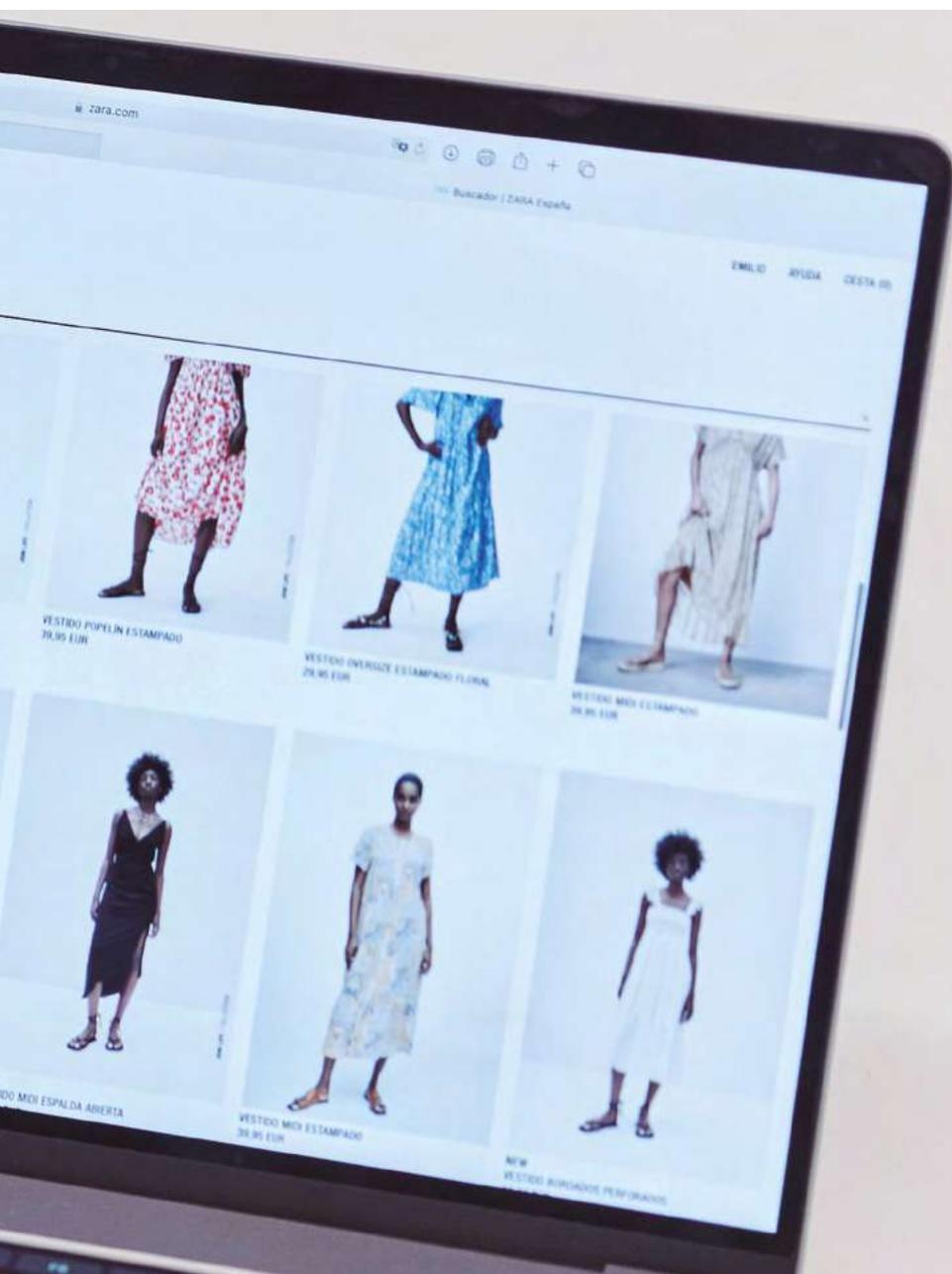


This integration requires – as a cornerstone – unified stock processing. In this area, the deployment of SINT – a clear example of innovation rolled out completely in 2020 to achieve this flexibility in the integration model – has made it possible to support the significant increase in online sales, including orders served with inventory from temporarily closed stores.

On a technological level, the digital integration capability of the channels is based on the *Inditex Open Platform* (IOP), which enables the entire life cycle of a product to be implemented and integrates all of Inditex's business areas. IOP's deployment reached 91 markets worldwide in 2020.

Logically, this integration has also been backed and driven by innovative initiatives and policies related to data governance, to facilitate its identification, access, processing, availability and use in a manner consistent with the needs of the business.

Lastly, the flexibility and adaptation required by the integration of the channels not only involves Inditex's technical means and processes, but also people play a fundamental role in implementing the strategy. A clear example of this is the dynamic reallocation of our people's functions according to the business needs, in particular, of in-store people, in order to serve the online customers.

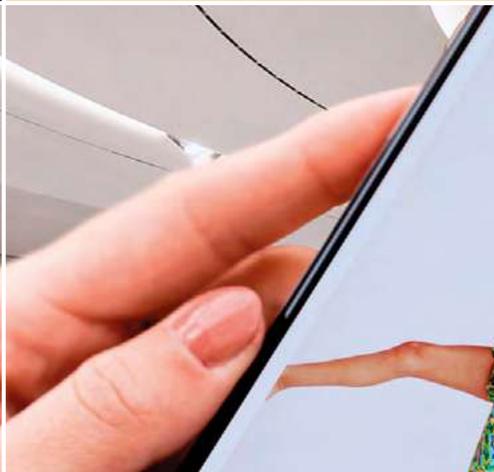


Integration of stores and online



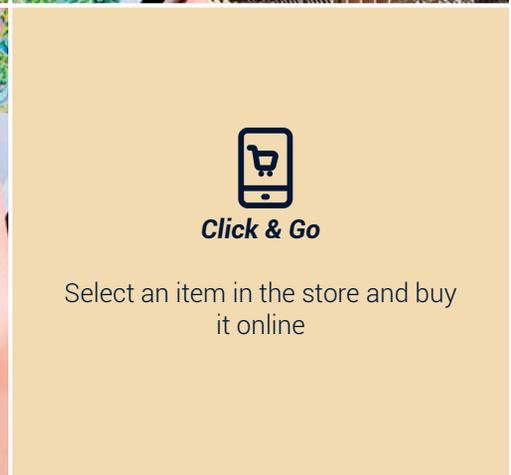
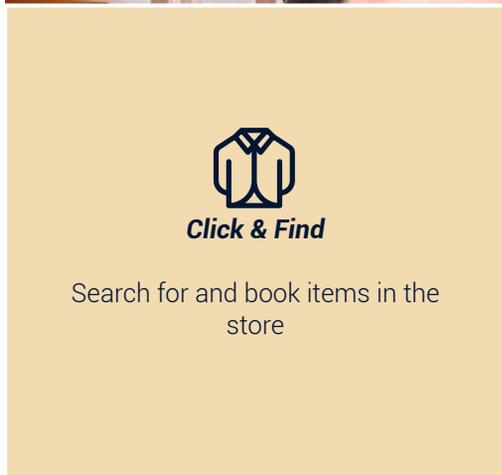
Click & Try

Book a fitting room in a store



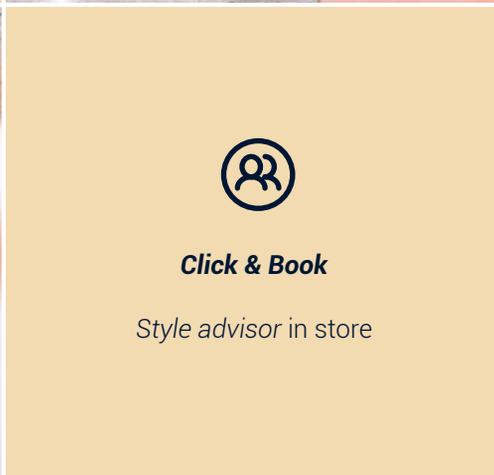
Click & Find

Search for and book items in the store



Click & Go

Select an item in the store and buy it online



Click & Book

Style advisor in store




Wallet

Payment cards




Paperless

Electronic receipt




Self-checkout

Self-checkouts




Refunds

Multireturn of Zara orders



QR identification

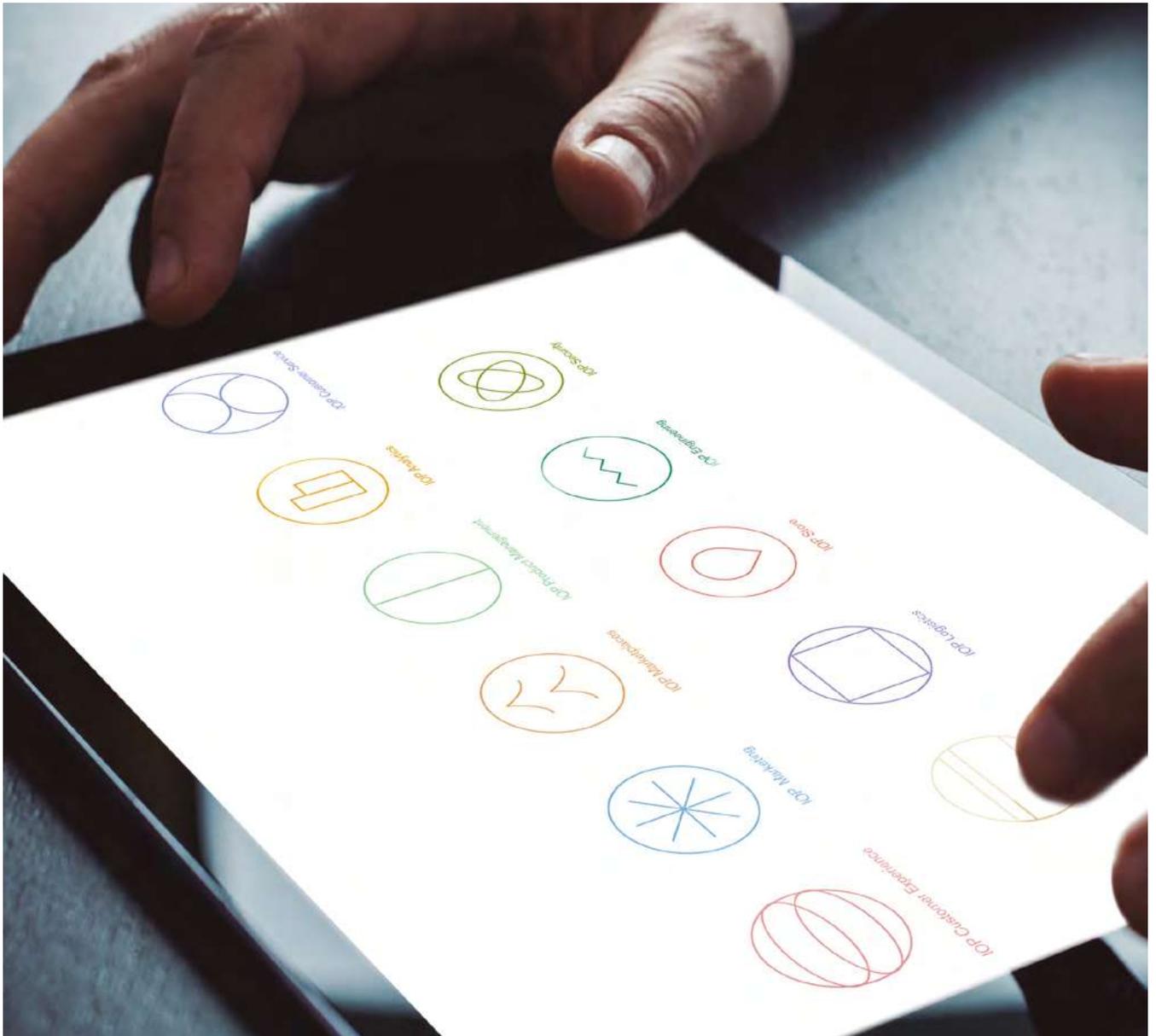
QR identification when paying at the checkout, to receive a receipt in digital format in the app and scan your receipts from previous purchases



Delivery Point

for online orders automated silo





Inditex Open Platform (IOP)

IOP supports multichannel digital integration, implementing all the phases of the product's life cycle and supporting all the business areas of Inditex.

Its design is based on an architectural and organisational approach of independent and interconnected microservices, which enables applications to be easier to scale and faster to develop.

IOP is executed in a hybrid *cloud* environment, benefitting from the advantages of both solutions (*on premises and cloud*). Thanks to its open and modular nature, the IOP enables all areas of the Company to adapt their processes in real time to the customer's needs and to react to their preferences.

The IOP approach is closely aligned with the deployment of agile methodologies across the board in all areas of development of Inditex that enable applications to be created very quickly and highly geared towards business needs.

- **Speed of adaptation to the changes required by the business model.**
- **Scalability of the solution for international expansion.**
- **Speeds up innovation.**
- **Flexibility to implement developments.**



Virtual automatist

The development of advanced decision-support systems is a core element in optimising the logistics of *e-commerce* and store distribution centres.

Due to the numerous variables to be considered in the problems of optimising resources, the development of models for optimising the preparation of *e-commerce* orders and in-store deliveries provides improvements in the efficiency of logistics processes.

The innovation implemented in this solution exemplifies the evolution of the capabilities of Inditex's analytical systems, according to their degree of autonomy in automated decision-making (descriptive, predictive, prescriptive).

- **Reducing worker fatigue by minimising travel for order preparation.**
- **Increasing transport sustainability by optimising the number of deliveries to stores.**

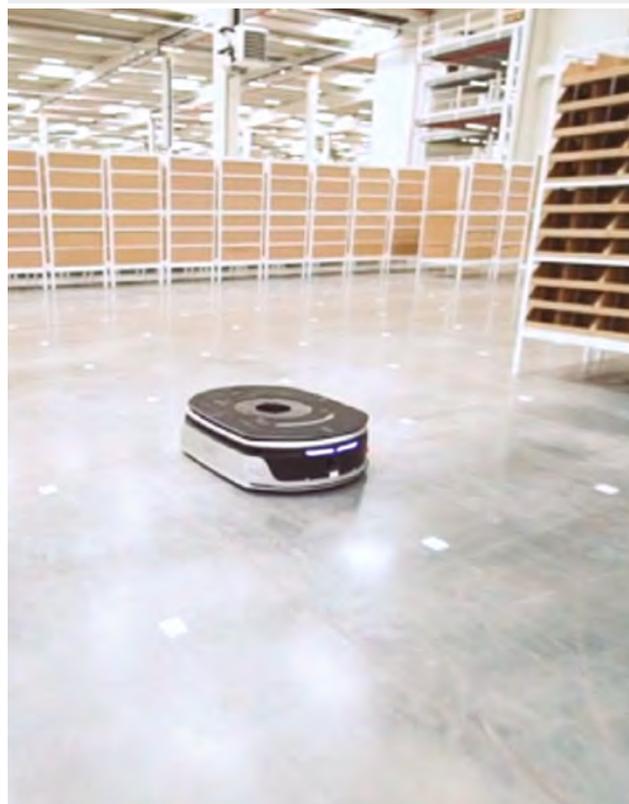
AMR (Autonomous Mobile Robot)

We have deployed AMR for the first time in the logistics chain (*e-commerce* Japan). The project increases the efficiency of order preparation processes, providing efficient and flexible selection of items, to aid the subsequent preparation of orders.

The results obtained in this first implementation are highly satisfactory, paving the way for the solution to be deployed in high-capacity *e-commerce* centres.

This solution has been deployed in production following the implementation of various pilot experiences, which, in collaboration with equipment providers, had enabled us to validate the potential for improvement under a controlled testing environment.

- **Minimising order preparation times.**
- **High flexibility in order preparation processes and rapid incorporation of changes.**
- **Reduction of delivery times.**
- **Easy scalability.**
- **Reassignment of tasks with higher added value to people.**
- **Increased health and safety in the work of employees.**



Zara ID

Using the Zara ID code speeds up the purchase process and offers the customer options, such as receiving e-tickets from in-store purchases, as well as quick identification for returning or exchanging items with no need for a physical supporting document.

- **It facilitates and simplifies our customers' payment, exchange and return processes.**
- **It lays the technological bases for the future implementation of advanced payment systems.**

Inditex Open Platform (IOP)

A **flexible and scalable platform** that enables us to quickly respond to the needs of our customers and of the business.

IOP addresses the need for flexibility, speed and performance by setting **new technology, working practices and organisation.**

TECHNOLOGY

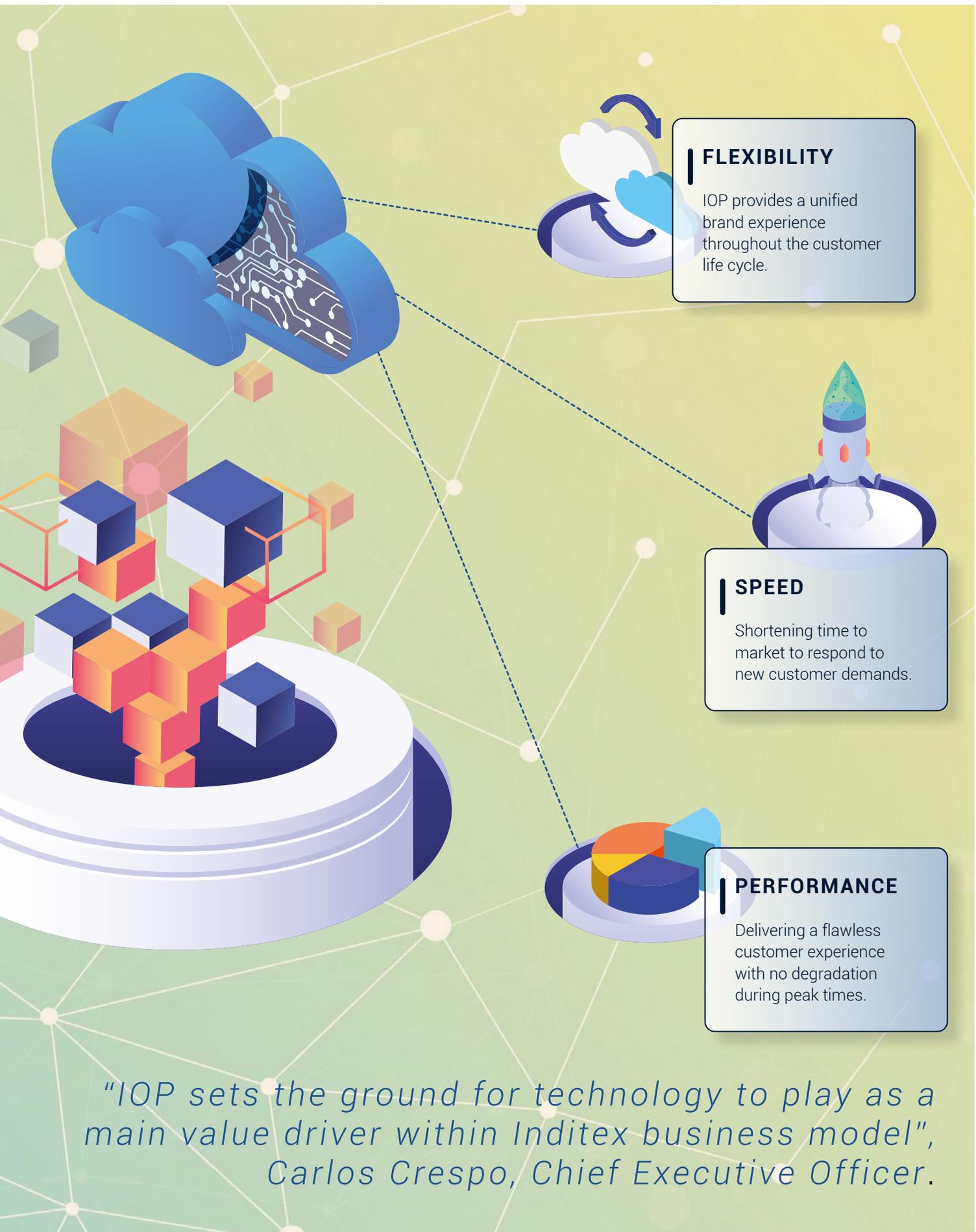
Microservices (Increased modularity to build new software), Everything as Code (build, deploy, and run applications solely with code without context switching), Hybrid Cloud (to ensure performance and avoid vendor-locking).

WORKING PRACTICES

API First Policy (to ensure the reusability of functional capacities with well-designed and well-documented robust APIs), Zero trust (Increased resiliency against cyberthreats by ensuring security from the source), Open-Source & Inner-source (Open-source tools and practices to foster a collaboration culture. Inner-source practices to improve collaboration quality among our teams).

ORGANISATION

Autonomous teams (Microservices architecture enables cross-functional teams to be more autonomous in order to deliver value), world-class talent (strong development and creation of an attractive value proposition); developer-friendly culture (customer-centric tech culture to enable developers to be fully aware of how they are adding value to customers).



2.1.2. Building customer confidence

Innovation is a core value of Inditex that helps build and strengthen the relationship of trust with our customers, not only based on the characteristics of the products they purchase, but also in intangible aspects that are fundamental to our customers and that guide them in their purchasing decisions, such as the well-being of people, sustainability, diversity, responsibility, transparency, commitment and contribution to social well-being.



Our commitment is to make our talent and our ability to innovate and transform available to people and communities.



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.

At Inditex, it is clear that innovation originates from people. This is why many of our innovation efforts are geared towards developing new ways of fostering the training and personal and occupational growth of our employees, as well as providing them with everything they need to ensure a comfortable and secure working environment where they can develop their talent.

Innovation has always been a core value in the Inditex business model and, without any doubt, has proven to be a core value in tackling the major challenges posed by the current global pandemic.

We have immediately succeeded in developing and implementing the best technological tools to facilitate teleworking, as well as ensuring checks on capacities and safe-distancing in our offices, logistics platforms and stores.

Our clear focus on digitalisation and the application of advanced technological tools has been accelerated, enabling a large number of activities and processes that required travel and attendance in person to be quickly replaced, and without losing efficiency, by new remote and digital procedures that guarantee the health and safety of our people.

We have quickly innovated the development of new training actions, which have enabled us to channel the talent of our store staff to enhance new skills. We have developed applications to dynamically reassign store staff functions so that they can contribute to the development of tasks related to *e-commerce* and other corporate processes in periods when stores must remain closed due to the situation.

Our innovation capacity has, therefore, enabled us to uphold our commitment to employment and to the ongoing generation of value despite the difficulties imposed by the complex environment.

Our goal is not only to participate in innovation processes that generate improvements in our own processes and installations. Our ambition and our commitment is to make our talent and our ability to innovate and transform available to people and communities and accompany them in the process. For this reason, the expedited digitalisation processes, investment in communication technologies and process redesign to be conducted remotely have also enabled us to continue and improve the innovative programmes we develop, geared towards improving the quality of life of our supply chain workers. These include our *Lean* project, placing the worker at the centre, as well as our initiatives to promote the use of various 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 throughout the supply chain and collaborate with suppliers in improvement programmes.

 For more information, please see chapter 2.7. *Contribution to the socio-economic development of workers and the industry* of this Annual Report.

Digital end-to-end transformation of the recruitment process

Full digitalisation of the *recruitment* process starting from the selection phases to the *onboarding* of the new employee, enabling administrative documentation to be contributed digitally, as well as the electronic signing of the contract.

Furthermore, the project seeks to reduce the environmental impact associated with the daily operations of Inditex, by minimising the candidates' travel for interviews and administrative procedures and establishing a paperless recruitment and hiring process.

- **Greater accessibility and flexibility for candidates.**
- **Improved adaptation of new employees to the Company in their first few days.**



Air purification systems

We research new air purification systems with the aim of providing the maximum air quality in all our stores.

The project seeks to go beyond mere regulatory compliance, striving to provide our people and customers with additional measures to guarantee their safety and contribute to their well-being.

- **Maximising the safety of our people and customers.**



Community

We look for new ways to respond to the social challenges we face, investing in social innovation in order to seek sustainable, effective and efficient solutions.

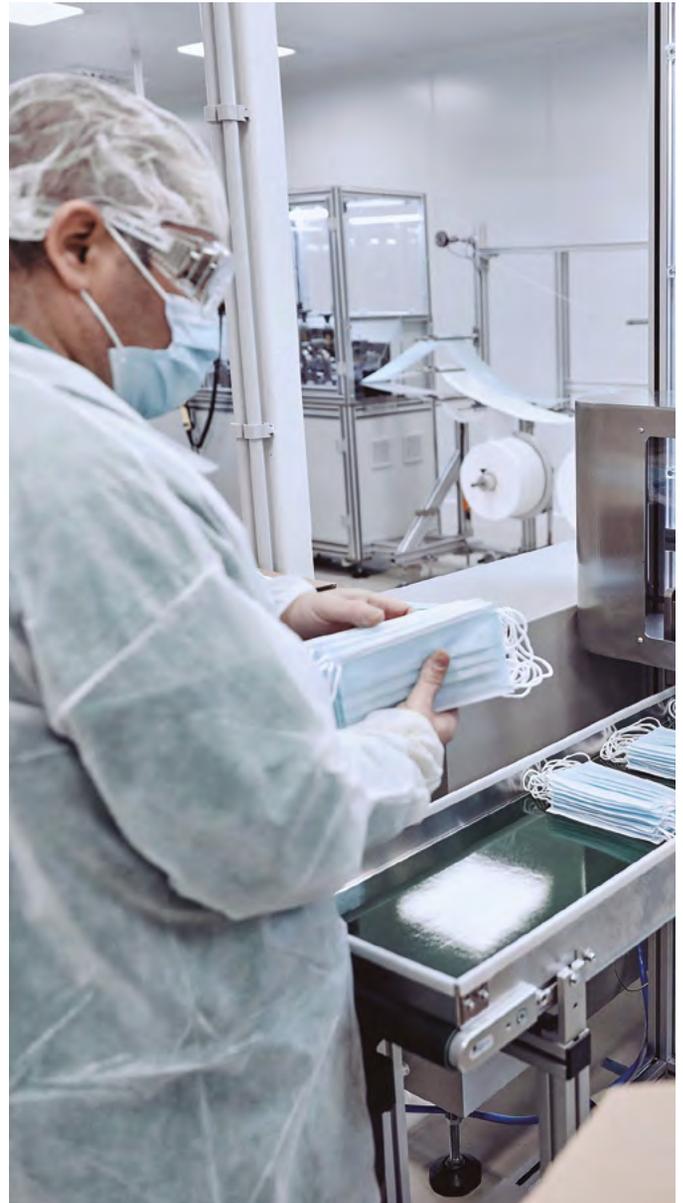
At Inditex, we consider that the relationship and the establishment of innovative partnerships with our community is key to the development of our sustainable business model. To do so, we uphold a fluid and ongoing multidirectional relationship with many local and international organisations and institutions, joining forces with governments, unions, academic institutions, organisations and civil society representatives, among others. This helps us to further sustainable development both across our entire value chain and in the communities where we operate.

We work with an innovative investment model in the community, selecting the best initiatives to reach our goals, on the basis of new methodologies for assessing impact on beneficiaries, social entities, our employees and on the business itself.

The community investment initiatives developed feature our programme for integrating people with disabilities for&from, notable for its innovation. This corporate social enterprise currently has 15 stores that generate more than 200 jobs for people with physical, mental or intellectual disabilities, with a turnover of over nine million euros in 2020. The profits are channelled back into collaborative social organisations.

Furthermore, for&from helps to extend the life cycle of our products and optimise stock with the sale of items from previous seasons.

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.



Alentae Project

The creation of a special employment centre for the manufacturing of surgical face masks, the aim of which is to integrate people with disabilities into the workforce. This health material will be marketed by COGAMI (the Galician Confederation of People with Disabilities) with the aim of contributing to its social purposes.

This initiative highlights Inditex's ability to respond to social challenges in a changing environment such as the current context of the covid-19 pandemic, quickly adapting to new needs and making the most of its infrastructure and knowledge of the textile sector to help the community.

- **Quality employment for people with disabilities.**
- **Production of medical material necessary to combat the pandemic arising from covid-19.**

UNHCR programme

An in-kind donation programme seeking to meet 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 protecting refugees and displaced people.

It is worth noting the huge effort made by all parties to overcome the major challenge of materialising an in-kind donation on the ground, in a scenario such as a refugee camp, where UNHCR's requirements for handling and type of garment to donate – as well as efficiency on the ground when delivering the goods – are highly demanding, taking into account the delicate nature of the action.

We also have a positive social and environmental impact, and we extend the useful life of our garments.

- **Humanitarian aid for people in refugee camps.**
- **Contribution to their physical well-being, psychological drive and sense of normality.**





Planet

Innovation throughout the value chain and life cycle of our products seeks to enhance the circular economy, contribute to decarbonisation, maximise environmentally friendly development and guarantee our commitment to the planet.

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 and decarbonisation of the textile sector as a whole, including industries, processes, and ancillary services.

To ensure that the solutions developed are effective, we are aware that they must be implemented globally and we achieve this through our proactive approach and will to collaborate and create strategic partnerships. We are able to involve our suppliers in our philosophy of ongoing improvement. Along these lines, we are constantly working on the development of innovative 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, enabling us to trace and

verify the thorough compliance with the safety, health and sustainability requirements we develop.

Pursuant to the comprehensive approach described, we seek to encompass all innovation action lines in order to reduce the impact on the planet: reduction of polluting emissions, of water consumption, of textile waste and of our carbon footprint, which can be focused on three core concepts: circularity, safe products and sustainable manufacturing, and decarbonisation.



Circularity

We seek innovative solutions to implement circular economy initiatives that minimise the negative impacts of our activity. Our programmes *Closing the Loop*, *Zero Waste* and *Green to Pack* are continuing to progress in our research advances into recycling and new fibres; collecting, sorting, recycling or recovering the waste generated in our installations of all kinds; and introducing new recycled materials into the packaging, extending their useful life and then recycling them.

Therefore, our goal in terms of circularity covers the full impact caused by our business model, thus, when we talk about waste we go beyond textiles, and include packaging and transport, and we take into account all our activity, including our stores, offices and logistics centres.

 For more information, please see chapter 2.8. *Circularity*, of this Annual Report.



Sustainability Innovation Hub

An open-innovation platform based on collaborative technological surveillance for the ongoing search for and development of new, more sustainable raw materials and fibres, which will enable us to select initiatives that are sufficiently mature in terms of technology to be able to assess their effectiveness through the development of pilot initiatives, seeking to extend the successful results to the commercial phase and to the industry in general.

The open innovation model used also seeks to create opportunities for emerging technological *start-ups* in the sector, so that they allow for the joint creation of new sustainable solutions for the sector, with the backing of Inditex.

- **Developing new, more sustainable technologies and materials.**

 For more information, see point a) *Innovation* in section 3.3.2. *Selection of materials* of this Annual Report.



Safe products and sustainable manufacturing

Two of our top priorities are guaranteeing healthy and safe products to our customers 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 chemical products and substances typically present in textile industry processes (not only in our supply 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.

i Further information in section 3.3.4. *Health and safety of our products* of this Annual Report.

The List, by Inditex

Partnering with the chemical industry to improve the quality of the chemicals used in the manufacture of items. This initiative is making it possible to objectively and publicly compile and classify commercial chemicals used in manufacturing processes, not only taking into account the production process, but also the supply chain.

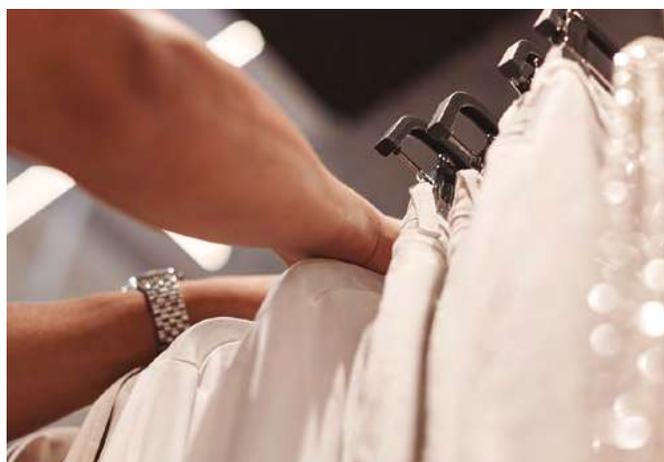
The scope of the project has increased considerably since the first edition in 2013. In 2020, progress was made in extending the same principles and methodology used in the textile sector to the industry of adhesives used in footwear.

The knowledge generated through this project is public, and is available to suppliers and competitors, in order to foster innovation in the chemical sector to progress towards a model that ensures the absence of hazardous substances in emissions to the environment, as well as in products.

- **Greater knowledge of chemicals used in manufacturing processes.**
- **Fostering the use of products with a more positive assessment in terms of safety and sustainability.**



i You can find more information in the section *c) Raw material control* in section 3.3.2. *Selection of materials* of this Annual Report.



Garment hygiene

Partnership with the Massachusetts Institute of Technology (MIT) to develop a hygiene protocol for garments handled by customers in commercial spaces or in returns and to study the parameters that affect the time coronavirus remains on the garment and the fluid-tissue interactions for the design and optimisation of the procedure.

The collaboration and partnerships we hold with highly prestigious entities such as MIT are fundamental to our most innovative initiatives.

- **Minimising the negative impact caused by the covid-19 pandemic by ensuring a safe environment in stores.**



Decarbonisation

Innovation is one of the most powerful tools with which to combat climate change. For this reason, we are pursuing innovative initiatives and developing new solutions that reduce the consumption of resources across our value chain, thus, reducing our carbon footprint. Our decarbonisation goals are in line with the actions that the latest scientific research says are necessary to undertake to meet the goals of the Paris Agreement, having been recognised in August 2020 by the Science-Based Targets initiative (SBTi), promoted as a partnership between CDP, World Resources Institute (WRI), World Wide Fund for Nature (WWF) and the *United Nations Global Compact* (UNGC).

To achieve the goals set, renewable energy sources are being incorporated into all processes in our facilities, and the eco-efficient store programme has been developed since 2009, culminating in 2020.

We are pioneers in the development and optimisation of energy consumption management and control systems.

Thanks to Inergy, the energy control tool that we have been developing and implementing progressively in our stores in recent years, remote consumption control has been implemented during lockdown due to the pandemic, ensuring, for example, lights and heating systems are switched off in order to avoid unnecessary energy consumption. Thanks to the innovation developed in recent years as a result of our huge effort, we have been able to address the unforeseen challenges that have arisen.

Delving into our goal of achieving a global sustainable model, we are not only seeking to make our stores an eco-efficient place, but we are working to reduce the carbon footprint of the rest of our facilities. In 2020, we launched the new Zara.com building, which is noteworthy due to its innovative solutions of façades covered with high-efficiency glass, and rainwater reuse systems, as well as its structure that provides natural lighting in its interior space. The building has been designed to optimise the efficient consumption of resources. The roof boasts 554 photovoltaic panels that, together with the 2,826 panels installed in the outdoor car park, manage to self-supply half of the building's electricity consumption.

 For more information, please see chapter 3.1. *Minimising environmental impact across the value chain* of this Annual Report.

Efficiency and sustainability of means of transport

At Inditex, we work to improve the sustainability of transport, thanks to more efficient fleets through the use of alternative fuels, as well as high-capacity vehicles (giga-trailers and duo-trailers compared to conventional lorries); to increase the optimisation of transport, by increasing density and occupancy levels, both at bulk level and transport units and means; and to reduce the mileage of our garments, by optimising global transport routes.

Initiatives such as these directly affect the management of existing procedures, so Inditex's collaboration with our suppliers is crucial for the progress towards new, cleaner means of transport to become a reality.

- **Reducing polluting emissions in transport**



2.1.3. Information security, and data and privacy

In 2020, in a highly complex and volatile backdrop resulting from the global pandemic caused by covid-19, we have committed more than ever to innovation and technology in order to ensure continuity of operations in all markets, guaranteeing the health and safety of our employees and collaborators at all times.

We are clearly committed to the ongoing improvement of the information security management model on the basis of innovation, our ability to attract the best STEM talent

and investing in order to have the most advanced, reliable and secure technologies and controls. To do so, we have strengthened the traditional capabilities that focus on protecting scope and the information systems and have increased the capabilities of *threat intelligence*.

We conduct ongoing improvement of our information security management and data and privacy protection 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 collaboration of the Group's global Data Protection Officer (DPO).

 For more information, please see chapter 1.5. *Information security and privacy* of this Annual Report.





**Diversity,
inclusion,
equality, and
work-life
balance**



2.2. Diversity, inclusion, equality, and work-life balance

▶ RELATED MATERIAL TOPICS:

DIVERSITY, EQUALITY AND INCLUSION, HUMAN RIGHTS, STAKEHOLDER ENGAGEMENT



At the end of 2020, 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 of our staff:

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



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, and 24% are men.

i See page 166 and 167 of this Annual Report for more information on the gender distribution of employees.

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).

i See page 166 and 167 of this Annual Report for more information on the composition of staff by age.

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 a total of 216 markets including online stores.

i See page 166 and 167 of this Annual Report for more information on the composition of staff by activity.

Fourth, Inditex's workforce is characterised **by its international presence**. This situation enhances 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.

i See page 166 and 167 of this Annual Report for more information on the geographic composition of staff.

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 assistants play a crucial role in each area of activity.

i See page 166 and 167 of this Annual Report for more information on the composition of staff by professional classification and area of activity.

Our people in 2020

144,116 people



76%
women

24%
men

14%
over 40

32%
30 to 40

54%
under 30

171
nationalities

	2020		2019		2018	
	WORKFORCE	%	WORKFORCE	%	WORKFORCE	%
GENDER DISTRIBUTION						
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%
AGE DISTRIBUTION						
UNDER 30	77,597	54%	107,042	61%	107,639	62%
30 TO 40	45,792	32%	49,336	28%	48,709	28%
OVER 40	20,727	14%	20,233	11%	18,038	10%
TOTAL	144,116	100%	176,611	100%	174,386	100%
ACTIVITY DISTRIBUTION						
STORES	123,660	86%	154,465	87%	152,057	87%
CENTRAL SERVICES	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%

	2020		2019		2018	
	WORKFORCE	%	WORKFORCE	%	WORKFORCE	%
GEOGRAPHICAL AREA						
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%
EUROPE (EXCLUDING SPAIN)	69,834	48%	84,634	48%	82,219	47%
TOTAL	144,116	100%	176,611	100%	174,386	100%
CLASSIFICATION DISTRIBUTION ⁽¹⁾						
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%

(1) The profiles of the three job classification groups are:

Management: employees in management positions responsible for interdisciplinary task forces 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 task forces 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.

EUROPE (EXCLUDING SPAIN)

MARKET	2020	2019	2018
ALBANIA	221	243	263
GERMANY	4,753	5,531	5,874
AUSTRIA	1,253	1,455	1,477
BELGIUM	2,562	2,945	2,818
BELARUS	278	290	298
BOSNIA AND HERZEGOVINA	314	424	360
BULGARIA	600	716	733
CROATIA	923	1,160	1,078
DENMARK	292	329	335
SLOVAKIA	305	359	302
SLOVENIA	235	276	267
FINLAND	249	260	269
FRANCE	8,729	10,030	9,414
GREECE	3,639	4,278	4,014
HUNGARY	818	1,126	1,067
IRELAND	743	854	882
ITALY	6,890	8,626	8,600
LUXEMBOURG	300	318	179
NORTH MACEDONIA	132	154	155
MONACO	39	39	36
MONTENEGRO	99	128	123
NORWAY	363	386	383
THE NETHERLANDS	2,536	3,018	2,856
POLAND	4,040	4,679	4,617
PORTUGAL	5,050	7,247	7,001
UNITED KINGDOM	4,398	5,429	5,486
CZECH REPUBLIC	505	700	643
ROMANIA	2,238	3,027	2,864
RUSSIA	9,119	10,696	10,365
SERBIA	871	947	899
SWEDEN	736	844	833
SWITZERLAND	1,478	1,564	1,506
TURKEY	3,956	5,166	4,896
UKRAINE	1,170	1,390	1,326
TOTAL	69,834	84,634	82,219

ASIA AND REST OF THE WORLD

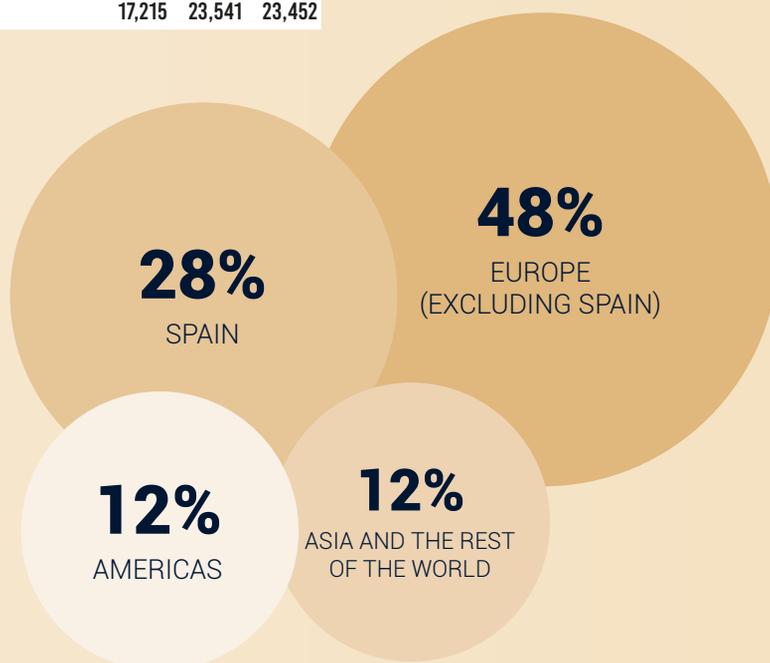
MARKET	2020	2019	2018
AUSTRALIA	1,501	1,636	1,504
BANGLADESH	62	59	57
CAMBODIA	4	6	4
MAINLAND CHINA	7,113	11,169	11,680
HONG KONG SAR	558	1,020	1,252
MACAO SAR	105	170	181
TAIWAN, CHINA	498	626	649
SOUTH KOREA	1,269	1,673	1,514
INDIA	1,173	1,294	1,227
JAPAN	3,488	4,314	3,979
KAZAKHSTAN	746	779	723
MOROCCO	34	26	16
NEW ZEALAND	119	115	99
PAKISTAN	2	2	2
SINGAPORE	4	4	4
SOUTH AFRICA	524	633	548
VIETNAM	15	15	13
TOTAL	17,215	23,541	23,452

AMERICAS

MARKET	2020	2019	2018
ARGENTINA	848	872	885
BRAZIL	2,418	2,849	2,810
CANADA	2,077	2,595	2,466
CHILE	726	871	878
UNITED STATES	5,080	6,310	6,267
MEXICO	5,334	5,897	7,137
URUGUAY	305	355	342
TOTAL	16,788	19,749	20,785

SPAIN

MARKET	2020	2019	2018
SPAIN	40,279	48,687	47,930
SPAIN-PERMANENT WORKFORCE	36,627	36,632	35,745




40,279
SPAIN


69,834
EUROPE (EXCLUDING SPAIN)


16,788
AMERICAS


17,215
ASIA AND REST OF THE WORLD OF THE WORLD

2.2.2. Diversity and 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, socio-economic situation, disability, and religion.

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 an Ethics Committee and an Ethics Channel 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 compliance.

 For more information see subsection c) *Committee of Ethics and Ethics Line*, in 1.6.2. *Compliance and criminal risk prevention system*, of this Annual Report.

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.

2.2.3. 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 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 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*. 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.

 For more information, see section 4.4. *Acknowledgements* of Inditex, of this Annual Report.

2.2.4. 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 parity.

 For more information, see section 2.4.1. *Pay gap* of this Annual Report.

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, up to 36% in 2020), in *Subsidiary Management* (+14 percentage points), and on the senior management (+5 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 most 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.



Women in Tech: inclusive science and technology

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 **outreach activities, skills and leadership development**, and professional meetings with female leaders from different fields.

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 achieving 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.

2.2.5. 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.

Impact Week: inclusive environments for employees and customers

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 for the social and professional integration of people with disabilities is the *for&from* programme, which aims to create a network of social stores in our chains, managed by non-profit organisations and staffed, wherever possible, 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 organisations.



For more information on the *for&from* programme, see section 4.2. *Community Investment* of this Annual Report.

2.2.6. LGBT+ inclusion

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

2.2.7. 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 CEO, Pablo Isla, published a statement expressing **Inditex's commitment to combat 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.

2.2.8. 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 for childcare (16% of employees in 2019 and 2018).

In addition to the concept of co-responsibility, the equality plans include additional measures to facilitate a 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, these measures have been gradually adopted with a focus on work-life balance. Both in markets where legal tools to protect employment exist and in those where they do not, specific measures were approved to combine the protection of the most vulnerable groups with the needs for a 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 chains (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.



Talent management

2.3. Talent management



RELATED MATERIAL TOPICS:

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:

1. To **attract the best talent** to work with us, from our stores and logistics centres to our creative, product, technological, and digital teams.
2. To provide **professional development and growth opportunities** through internal promotion and mobility.
3. 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.
4. 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 prioritise people, including candidates and employees.

2.3.1. 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 in-store recruitment processes**, from the identification of recruitment needs by our talent teams to the remote signing of employment contracts.

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.

2.3.2. Talent development

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 service 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 office teams and more than 500 changes in job position, department, chain, 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 have boosted internal promotion from store and subsidiaries to our central offices in Spain to cover vacancies**. Thus, of the 2,000 aforementioned promotions, 332 have been assigned to people who have switched their duties to our central services. We distributed internal talent throughout all our chains to fill positions in strategic areas such as sustainability, online sales, design, purchasing, and distribution.

Zara Camp: boosting talent at Inditex

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 shops 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, and 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.



2.3.3. Training

Inditex's corporate culture is eminently practical, with a fundamentally *on-the-job* approach to training and policies based entirely on in-house 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 recruits. 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 eLearning platform called *ON Academy* since 2017, aimed at employees of all its chains. 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 outsourcing. The percentage of virtual training has increased by 50% in participants and 67% in hours compared to 2019.

MAIN TRAINING INITIATIVES IN 2020



DIVERSITY & INCLUSION

Diversity & Inclusion: In addition to awareness-raising actions presented in the section on Diversity, Inclusion, Equality and Work-Life Balance, 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).
- *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 undergo 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.

 For more information, see section 2.2. *Diversity, inclusion, equality, and work-life balance*, of this Annual Report.

LANGUAGES: *BUSUU*

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.



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 received by our purchasing and design teams on responsible purchasing practices, 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, fulfilling our commitment.

i For more information, see section 3.3.1. *Design* and section c) *Responsible purchasing practices*, in section 3.4.2. *Policies, standards and principles on which our supply chain management is based* of this Annual Report.

eFASHION

Through **eFASHION**, more than 1,400 people have received training in the field since its launch in 2012. The programme has been launched 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*

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. The app has been made available on different devices.

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.

ONLINE TRAINING PROGRAMMES

During the lockdown, we provided online 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 through our InHealth platform 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. 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.



ZARA CAMPUS

Positions of responsibility in our stores: The **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). The Zara Campus started in Spain and Greece before later being expanded to Turkey, Portugal and Poland. Since the launch of the Zara Campus, over 1,600 people have been trained, and a total of 182 TFCs have been submitted.



2.3.4. 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**.

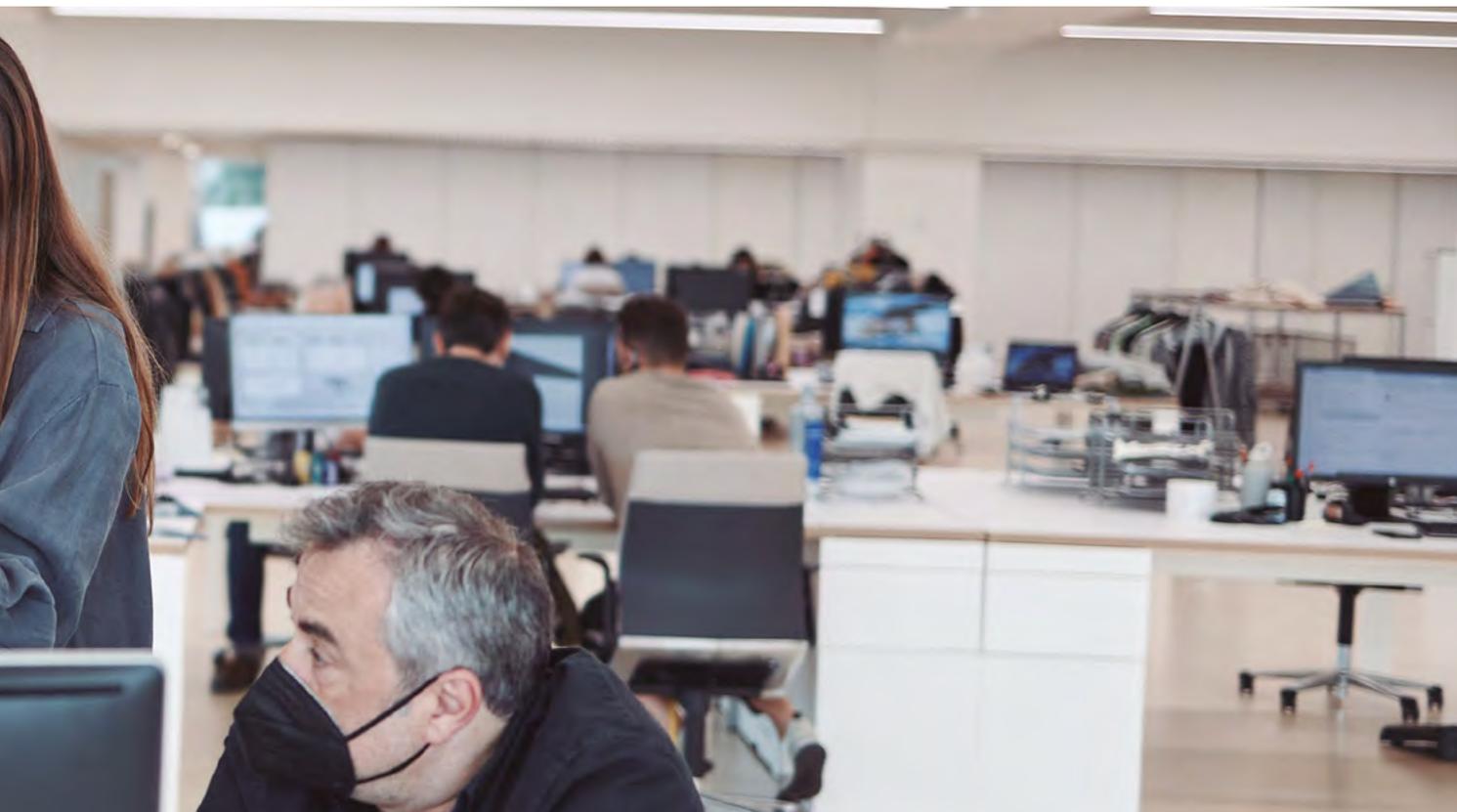
INet, the Group's intranet, is essential to how we connect with our staff. INet is operational in all our markets and can be accessed by employees through our *app* or online platform. With more than 19 million visits in 2020, it is our main channel for internal communication. Thanks to INet, we digitise 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 20,000 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.

Meanwhile, 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 instructors, inspirational talks, and a health channel detailing all the information and internal measures that we have 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, 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.

On the other hand, **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 euros, 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 in Greece. This initiative focuses on providing basic aid packages to refugee migrants arriving on the island of Lesbos.



Remuneration policy

2.4. Remuneration policy



RELATED MATERIAL TOPICS:

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.

2.4.1. 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 average 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 staff turnover during the year.

PAY GAP	2020	2019	2018
TOTAL	-0.4%	0.2%	0.8%

The pay gap by geographical area is detailed below:

GEOGRAPHICAL AREA	2020	2019	2018
SPAIN	-0.8%	0.5%	1.0%
EUROPE (EXCLUDING 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%



Inditex's remuneration policy ensures non-discrimination for reasons of sex, age, culture, religion, race, or any other circumstance.

2.4.2. Average overall remuneration

The average remuneration is defined as the mean average 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 average overall 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 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:

TOTAL WAGES IN €	2020	2019	2018
JOB CLASSIFICATION			
MANAGEMENT	50.050	51.327	47.804
SUPERVISORS	32.859	31.002	27.963
SPECIALISTS	20.751	19.260	18.480
AGE			
UNDER 30	16.598	16.444	15.350
BETWEEN 30 AND 40 YEARS OLD	28.214	27.433	26.320
OVER 40	43.648	42.297	41.062

2.4.3. 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 of 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.



Shareholder relations

2.5. Shareholder relations



RELATED MATERIAL TOPICS:

STAKEHOLDER ENGAGEMENT



We are strengthening the transparency policies and communication channels that give us the ability to listen to our shareholders and deliver them value; striking a balance between continued reinvestment in the growth of the Group, creating a positive impact on our environment as a whole, and offering an attractive and predictable distribution of dividends.

Involving shareholders in the decision-making process of the Annual General Meeting – our highest level governing body⁽¹⁾— means we can hear their clear mandate: to create value sustainably in the medium and long term.

Because of this, while continuing to strengthen the transparency policies and communication channels that give us the ability to listen to our shareholders and deliver them value; striking a balance between continued reinvestment in the growth of the Group, creating a positive impact on our environment as a whole, and offering an attractive and predictable distribution of dividends.

2.5.1. Shareholding structure and shareholder remuneration

The following chart shows a summary of the Inditex shareholding structure:

INDITEX SHAREHOLDERS 31/1/2021"	SHARES	%
PONTEGADEA INVERSIONES SL	1,558,637,990	50.01%
PARTLER 2006 SL	289,362,325	9.28%
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES SL	157,474,030	5.05%
INSTITUTIONAL	1,054,231,432	33.83%
RETAILER	55,222,310	1.77%
TREASURY SHARES	1,726,305	0.06%
TOTAL	3,116,654,392	100%

Our shareholder remuneration policy, approved by the Inditex Annual General Meeting of Shareholders, aims to offer an attractive, predictable and sustainable dividend over time. This policy adheres to maintaining an adequate level of resources to assure continued investment for future Company growth and value creation.

In line with this policy, in November of 2020, a dividend of 0.35 euros per share corresponding to 2019 was distributed to shareholders.

2.5.2. Shareholder relations

The relationships between Inditex and its shareholders – both current and potential – are governed by the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors and the Regulations of the Board of Directors.

Inditex guarantees that market participants (shareholders and potential shareholders in particular) have equal access to information. The Inditex website plays an important role in putting this policy of communicative transparency and equal access to information into practice: examples include the Investor Agenda, reports and presentations on the evolution of the Group.

In the interest of transparency, a full list of the entities and analysts that produce Inditex reports is also published on the corporate website (www.inditex.com).

(1) The Company's shares are represented through book entries. The Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (Iberclear) is responsible for recording book entries.

Individual Shareholders' Department

All private investors can contact the Individual Shareholders' Department to obtain detailed information on business developments and Inditex's future strategy.

In the 2020 financial year, we dealt with around 800 requests for information on the Company from individual shareholders. Inditex sends precise information and documentation so that all shareholders are adequately updated on, and can participate actively in, the decision-making process of the highest governing body of the Group.

Investor Relations Department

Information on business developments is shown on the Inditex corporate website (www.inditex.com) and is distributed to our investor and analyst database with more than 1,100 entries. Inditex complements this information with quarterly open access conference calls, and with presentations to analysts and investors throughout the fiscal year in the principal financial capitals of the world.

Furthermore, 35 financial and stock market entities publish analyses and reports on Inditex's market position. The Company's shareholder structure includes institutional investors, holding 33.83% of share capital, together with 1.77% held by private investors who play a key role shaping the share price and its liquidity.

2.5.3. Indices

Inditex is included in benchmark indices for both its financial performance and its best practices in sustainability.

Euro STOXX 50/IBEX 35

Inditex has been included in Europe's leading Euro STOXX 50 index since 2011, and the selective Spanish IBEX 35 index since 2001.

FTSE4Good

FTSE4Good is a sustainability-based index that has included Inditex since October 2002. In 2020, the Company was awarded a score of 4.9 out of 5. The sustainability stock index includes global companies with a commitment to sustainability, taking into account environmental, social and corporate governance practices.

Dow Jones Sustainability Index

The *Dow Jones Sustainability Index (DJSI)* assesses listed companies' sustainability performance annually, considering their economic, environmental and social conduct. In 2020, the DJSI rated Inditex as one of the world's most sustainable *retail* companies for the twentieth consecutive year.

In 2020, 86 companies were assessed in this ranking, published by S&P Dow Jones Indices, with Inditex being one of the 11 companies included as a member of DJSI World, in addition to being included in DJSI Europe. Furthermore, Inditex was awarded the silver medal in the *Sustainability Yearbook 2020*, also published by S&P Global.

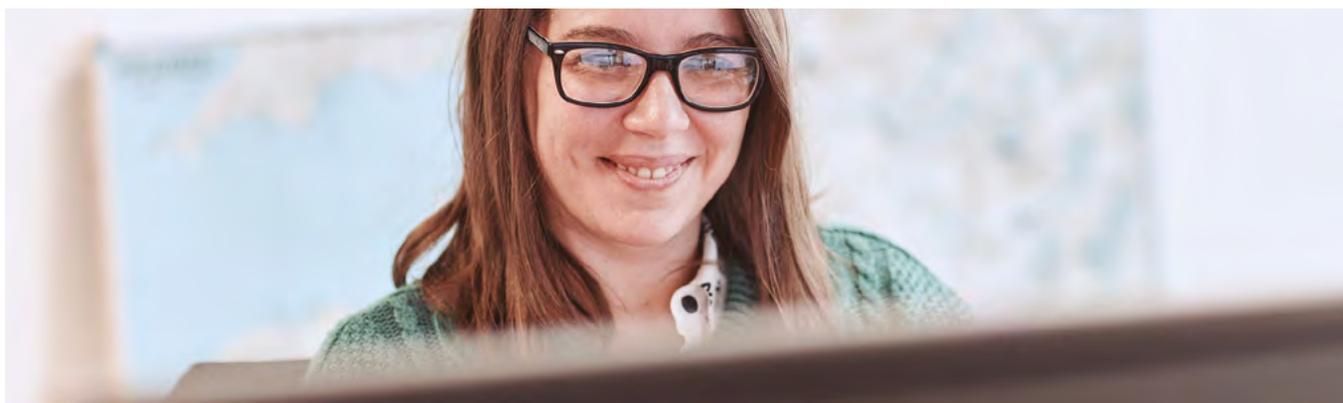
We have consistently achieved the highest scores in the *Retailing* category since our Company was first included in the index in 2002. In 2020 the Group achieved a total score of 75, placing it 51 points ahead of the industry average. In this edition, we have upheld our leadership in the industry in terms of environmental matters, receiving the highest score in this area.

	INDITEX SCORE					RANKING PERCENTILE ⁽²⁾					AVERAGE SCORE FOR THE SECTOR				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
ECONOMIC AND GOVERNANCE	67	63	61	70	76	97	92	93	99	100	27	29	26	40	42
ENVIRONMENTAL	97	95	91	96	97	100	100	100	100	100	25	31	23	33	33
SOCIAL	72	57	61	79	76	97	92	100	100	98	20	22	19	32	29
TOTAL	75	68	68	78	80	99	97	100	100	98	24	28	23	36	36

(2) Percentage of companies in the same sector with a score lower than that awarded to Inditex.



Tax contribution and tax transparency



2.6. Tax contribution and tax transparency



RELATED MATERIAL TOPICS:

VALUE CREATION



2.6.1. Commitment to transparency

One of Inditex's core principles is strict compliance with tax obligations in all of the markets in which it operates. Along these lines, the good tax practice principles we adhere to are an extension of our commitment to sustainability and corporate social responsibility. It is also part of our value creation philosophy and our determination to achieve a positive social transformation where we are present.

The payment of taxes, for both companies and individuals, enables a community's economic and social development. It also means infrastructures and public services can be developed that contribute to the well-being of citizens and society as a whole.

In the 2020 financial year, by fulfilling our tax obligations, Inditex made tax contributions of 4.689 billion euros; of which 1.916 billion were direct taxes, and 2.773 billion were taxes collected on behalf of third parties.

Our relationship with the tax authorities in the markets where we operate is characterised by the principles of collaboration, mutual trust and good faith. Furthermore, the criteria for interpretation established by the competent authorities and courts in each region are applied to tax legislation.

In Spain, Inditex has adhered to the *Code of Good Tax Practices* driven by the Large Companies Forum, incorporating its recommendations and proposals. This entity, which Inditex is a member of, seeks to promote collaboration between large companies and the State tax authority.

In parallel, information on the measures Inditex has taken to prevent money laundering and the funding of terrorism can be found in the section on **Robust Compliance Architecture** in this Annual Report.

2.6.2. Tax contribution

Inditex's total tax contribution of 4.689 billion euros in 2020 includes direct taxes paid, and taxes collected on behalf of third parties in each of the territories and markets where the Company operates. The **Total Tax Contribution** framework developed by PwC has been used with the goal of standardising tax information and terms across the territories. Under this framework taxes are divided into five categories, or bases:

- **Profit taxes.** These include taxes on companies' profits such as corporate income tax and trade tax, as well as taxes collected as withholdings on payments to third parties.

“ The good tax practice principles we adhere to are an extension of our commitment to sustainability and corporate social responsibility.

- **Property taxes.** These are taxes on the ownership, sale, transfer or occupation of property.

- **People taxes.** These are taxes on employment, both borne and collected. This includes employee income tax deducted at source and social security payments made by the employee or the Company.

- **Product taxes.** These refer to indirect taxes on the production and consumption of goods and services, including VAT and customs duties.

- **Planet taxes.** Taxes on the supply, use or consumption of goods and services that have an impact on the environment.

TAX CONTRIBUTIONS 2020 (MILLIONS OF EUROS)

DIRECT TAXES	
PROFIT TAXES	474
PROPERTY TAXES	80
PEOPLE TAXES	654
PRODUCT TAXES	698
ENVIRONMENTAL TAXES	10
TOTAL	1,916
TAXES COLLECTED	
PROFIT TAXES	56
PROPERTY TAXES	9
PEOPLE TAXES	660
PRODUCT TAXES	2,047
ENVIRONMENTAL TAXES	1
TOTAL	2,773
TOTAL TAX CONTRIBUTION	4,689

a) Tax contribution by geographic area

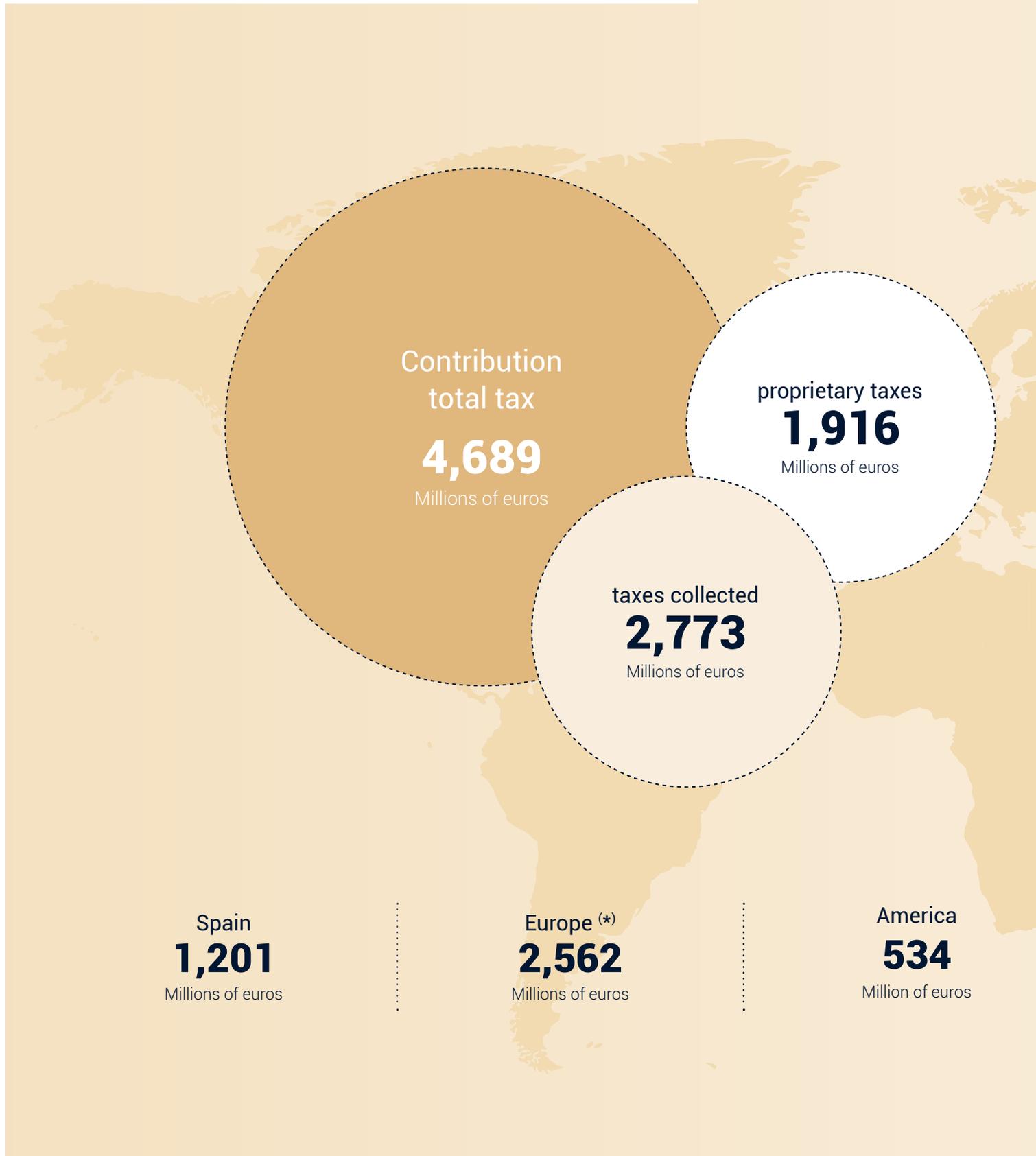
Inditex pays taxes on the profits earned across all the markets it operates in, all with different tax requirements. Given the heterogeneity of this regulatory framework, Inditex ensures that its tax management is carried out according to best practice in each territory. Moreover, the Inditex Tax Policy, approved by its Board of Directors in 2015 and which applies the OECD Guidelines for Multinational Enterprises, establishes responsible conduct in tax matters.

As the home market of Inditex, Spain hosts the main product activities and those deriving from hosting the headquarters. For this reason, and because it represents 14.6% of the global sales, it is the Group's most important direct tax contribution market. In 2020 Inditex paid 1.201 billion euros in taxes in Spain, representing 25.61% of the worldwide total. The effective tax rate of global corporate income tax during the year stood at 21.20%

Inditex follows the international arm's length principle to its tax practices, in line with the OECD Transfer Pricing Guidelines and the tax law of the markets involved in the corresponding transactions. Similarly, it expressly rejects the opaque corporate structures established by instrumental companies in tax havens. In the 2020 financial year, Inditex Group companies located in territories or countries considered tax havens by the Spanish relate to sales generated in a physical store located in Monaco and physical premises in Macao SAR (*Special Administrative Region*).

DIRECT TAXES	SALE OF GOODS AND PROVISION OF SERVICES (THOUSAND EUROS)	NUMBER OF STORES
MACAO SAR	5,283	5
MONACO	7,201	1
TOTAL	12,484	6

Tax contribution



Spain

	PROPRIETARY TAXES	TAXES COLLECTED
	2020	2020
SPAIN	620	581
TOTAL	620	581

Europe (*)

	PROPRIETARY TAXES	TAXES COLLECTED
	2020	2020
Germany	18	189
Belgium	7	107
France	117	300
Greece	12	80
The Netherlands	117	97
Hungary	4	23
Italy	44	246
Poland	24	82
Portugal	20	151
Romania	2	56
Russia	79	174
Switzerland	66	15
Ukraine	16	12
Others	165	339
TOTAL	691	1,871

Americas

	PROPRIETARY TAXES	TAXES COLLECTED
	2020	2020
Brazil	53	34
Canada	41	23
United States	129	88
Mexico	101	22
Others	33	10
TOTAL	357	177

Asia and the rest of the world

	PROPRIETARY TAXES	TAXES COLLECTED
	2020	2020
Australia	11	17
China	79	59
South Korea	31	10
Japan	59	40
Kazakhstan	12	3
Others	56	15
TOTAL	248	144

(*) Does not include Spain.

Asia and the rest of the world
392
 Millions of euros

b) Tax contribution throughout the value chain

Inditex has a business model characterised by the integration, sustainability and innovation of all phases of the value chain. This includes the design, procurement, manufacture, quality control and logistics, which ensures the product reaches the store; as well as the business of selling fashion items in physical stores or online, and activities in terms of architecture, exterior and interior design, marketing and sales.

In 2020 these activities combined generated more than 474 million euros in profit taxes globally, representing 10.11% of its total tax contribution. A particularly significant proportion of Inditex's total tax contribution was paid in Spain, which hosts the Group headquarters and where design, production and logistics activities are mainly concentrated.

In 2020 the integrated management of Inditex stores (physical and online) generated 2.060 billion euros in product taxes (VAT and equivalent), representing 43.93% of

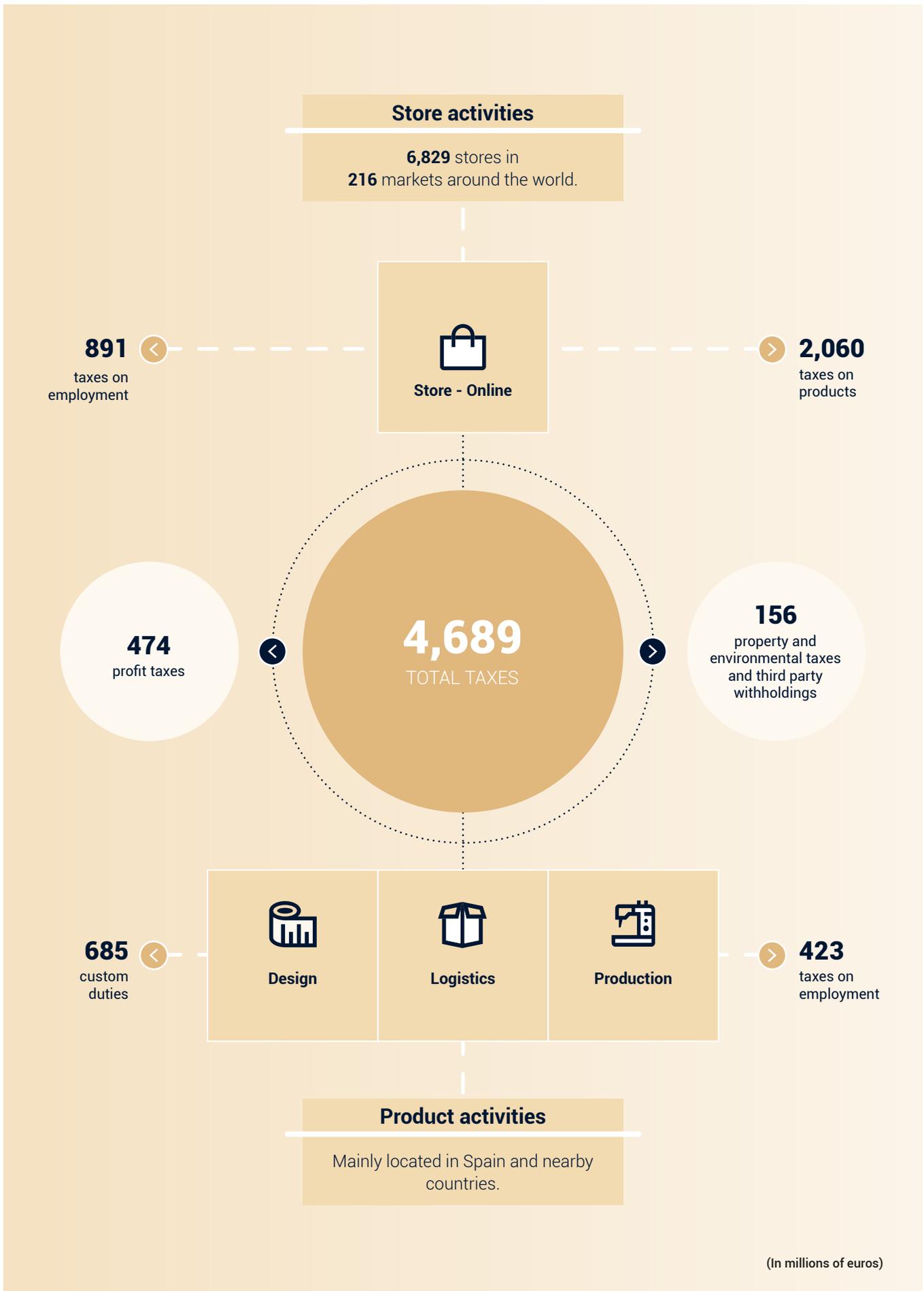
Inditex's total tax contribution. These commercial activities also generated 891 million euros in taxes on employment (19% of the total) including personal income tax and social security contributions.

Activities prior to the product's arrival in-store, from design, purchasing, manufacturing and quality control, to logistics, generated 423 million euros in employment-related taxes, representing 9% of the Group's overall contribution for the financial year. These activities, located in Spain, involve a high degree of added value and innovation, providing flexibility to adapt collections and our integrated model of physical and online stores to the preferences and interests of our customers.

Importing items into markets where we have stores generated 685 million euros in customs duties, representing 14.6% of our total tax contribution.

Similarly, all Group activities, including both commercial and pre-sale production activities, are subject to environmental and property taxes and other third party withholdings, which totalled 156 million euros in the 2020 financial year.







**Contribution
to the
socio-economic
development
of workers and
the industry**



The covid-19 has emphasized, more than ever, the need to have tools, plans and policies to protect Human and Labour Rights throughout the supply chain.

2.7. 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



In 2001 the Board of Directors of Inditex approved our Code of Conduct for Manufacturers and Suppliers and since then we developed aspects and strategies for a socially and responsible global supply chain management. Once we had established a solid compliance programme of the Code, in recent years we have focused on working towards having a positive and long lasting impact, not only in the factories that produce our items, but also in the communities in which they are located. Moreover, our focus is now very much on the industry, which is currently undergoing a transformation. We aim to be a change agent towards a more sustainable and inclusive sector, for a fairer and more resilient society.

 More information on section 3.4.2. *Policies, standards and principles on which our supply chain management is based* of this Annual Report.

In 2020 we dealt with a particularly adverse scenario, a global pandemic, which has hit the more vulnerable sectors of society much harder. The healthcare, social and economic crisis brought about by covid-19 has emphasized, more than ever, the need to have the tools, plans and policies to protect and promote human and labour rights throughout the supply chain.

In 2020 we reached the halfway point of our Workers at the Centre 2019-2022 strategy which was marked by an overhaul of its strategic lines and programmes in response to the situation brought by the pandemic. Some of the programmes were adjusted, or even replaced by others, in order to meet the needs of the workers amid this new context. The goal continues to be to encourage workers' empowerment and to ensure respect to human and labour rights. Having a solid strategy in place has enabled us to react quickly and step up our effort thanks to our close relationship with suppliers, our teams in the field and our trusted partnerships and relationships with the main stakeholders.



Protection of workers in the supply chain against the global challenges arising from covid-19

The workers in the supply chain have been greatly affected by the health crisis and the context of their personal and professional development. At Inditex we have developed a strategy designed to provide support to them since the onset of the pandemic, as well as to promote respect for their human and labour rights, using the United Nations framework for the immediate socio-economic response to covid-19, which is based on the following 4 streams of work:

- **Health first:** Support for our suppliers and manufacturers and assistance in the introduction of specific measures designed to prevent covid-19 at the workplace.
- **Protection of people:** Supporting and participating in the initiative *Covid-19: Action in the Global Garment*

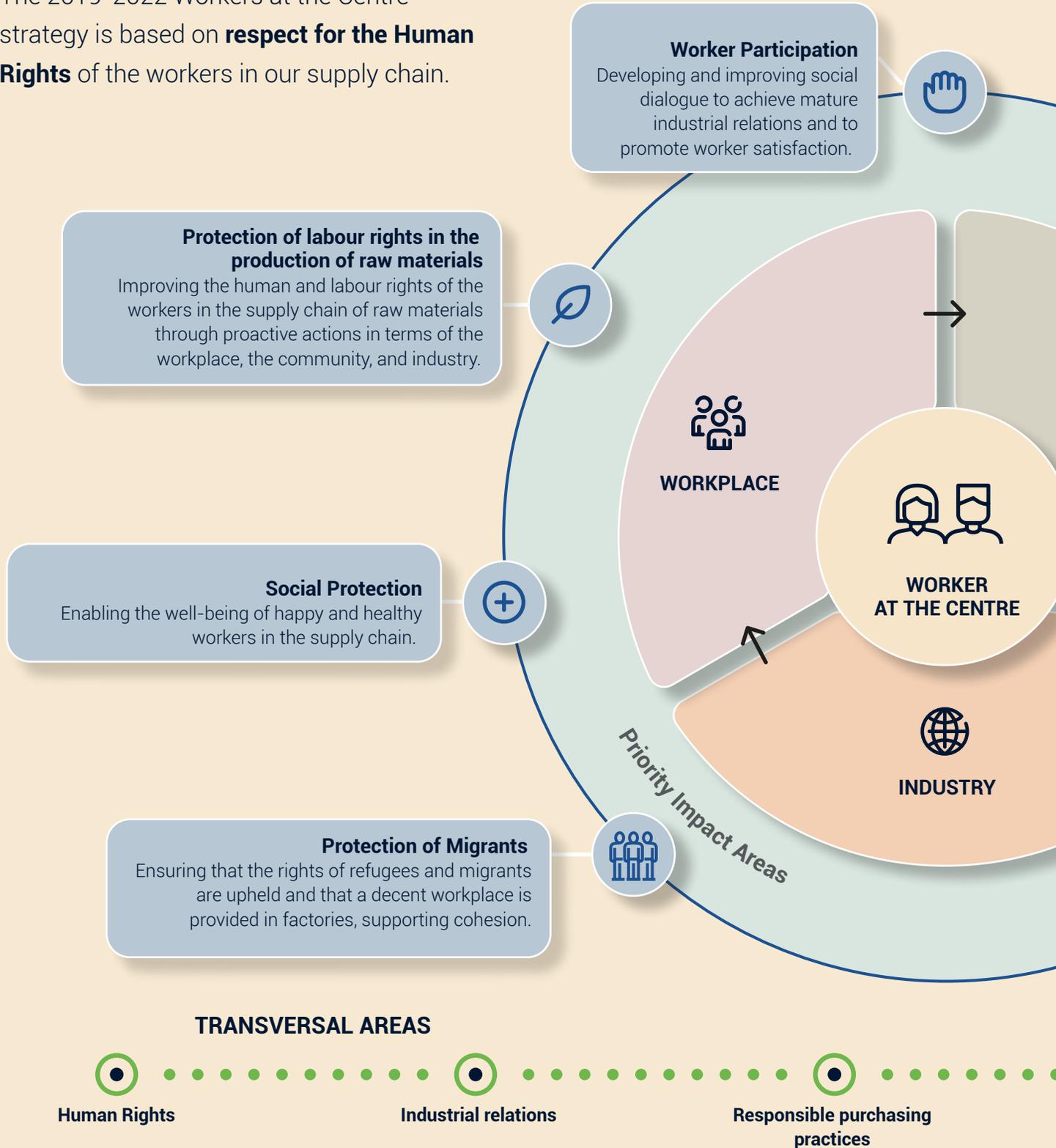
Industry, that aims to articulate an urgent response to the economic effects arising from covid-19 with emphasis on protection of workers' income, health and employment.

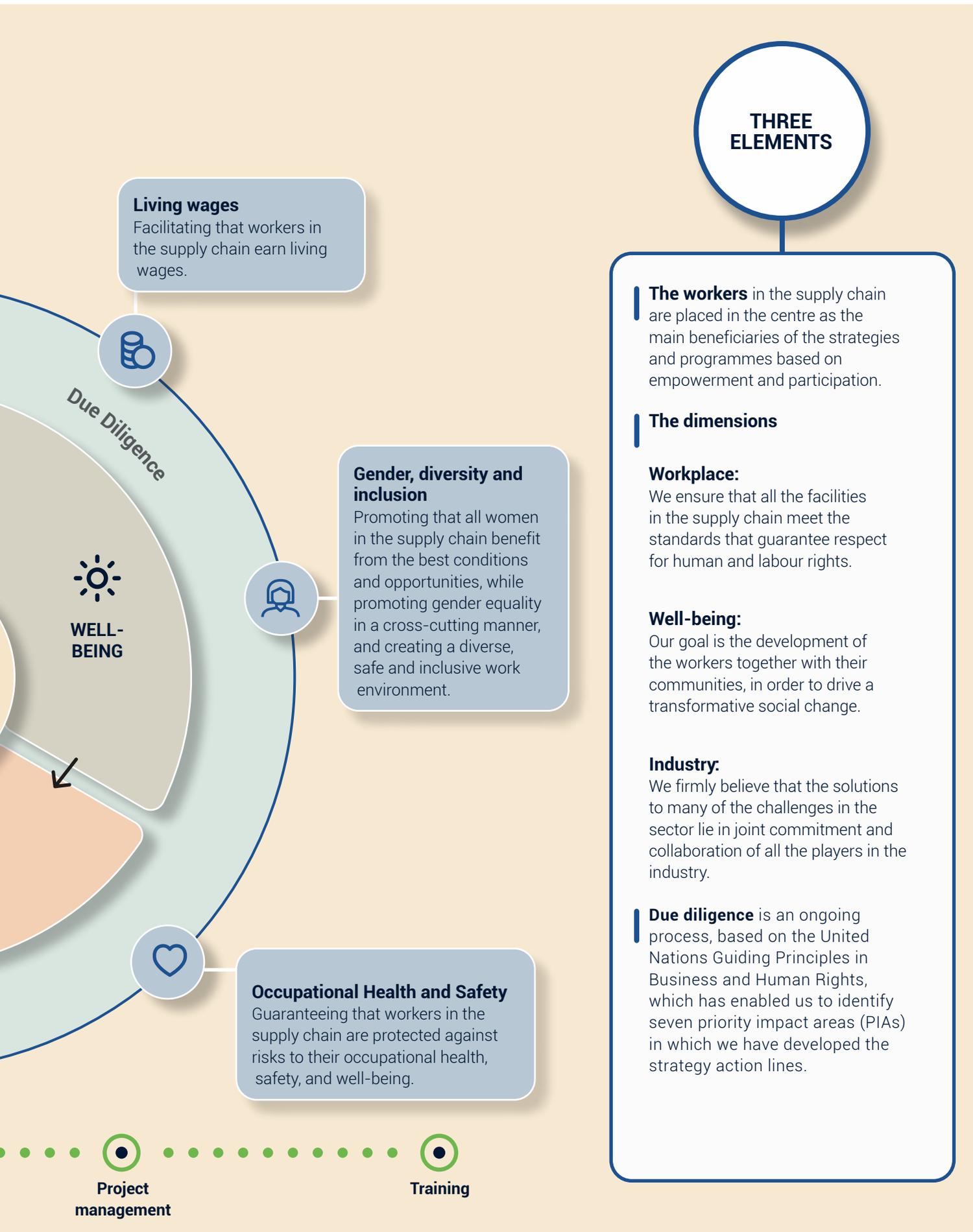
- **Economic response and recovery:** We guarantee the payment of all orders placed and in production, as well as collaborate with financial institutions to provide loans with attractive conditions for suppliers.
- **Multilateral collaboration:** Cooperation with IndustriALL and ACT, among others, to deliver collective responses.

 More information in paragraph 1.1.2. *Protection of workers in the supply chain* in the chapter 1.1. *Response to the global challenges arising from covid-19* of this Annual Report.

Workers at the centre

The 2019-2022 Workers at the Centre strategy is based on **respect for the Human Rights** of the workers in our supply chain.





Priority Impact Areas in 2020

2020 KEY INDICATORS

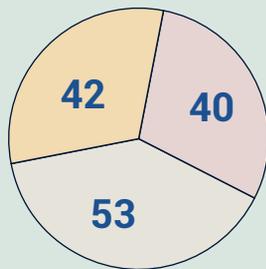
1,374

suppliers and factories reached
by the activities

1,224,557

workers
benefited

STRATEGIC PLAN ACTIVITIES ⁽¹⁾



○ Industry ○ Well-being ○ Workplace



Not started



Completed



In progress



Worker Participation



Living wages



Gender, diversity and inclusion



Occupational Health and Safety



Protection of migrants and refugees



Social Protection



Protection of rights in the production of raw materials

(1) Current status of all activities included in the Strategic Plan 2019 - 2022 (including 38 field programmes - see page 20 of this Annual Report - and other types of actions)



Our main tool within the scope of social sustainability is our Workers at the Centre 2019-2022 strategy. The goal of this strategy is to address the main challenges faced by the workers in the supply chain in their working environments and in the communities in which we carry out our production activities, with the aim of creating socially stable and sustainable environments.

The strategy has been built, among others, on the UN Guiding Principles on Business and Human Rights, the main International Labour Organisation (ILO) conventions, and on the Global Compact Principles, as well as being in line with the Sustainable Development Goals (SDGs) which entered in 2020 in what the Secretary General of the United Nations, António Guterres, has called the “*decade of action*”.

The process of ongoing due diligence provides us with the necessary flexibility to adapt the strategy to the needs of the time. The significance of the seven identified priority impact areas (PIAs) has been enhanced in 2020 as a result of covid-19, supporting our workers in key areas like occupational health and safety and social protection.

Another example, not directly linked to the pandemic but which highlights our continuous improvement process, is our updated review of the Gender, Diversity and Inclusion strategy (previously Women's Empowerment) after having identified the importance of supporting and promoting the rights of other vulnerable groups.

The work carried out in each of these PIAs is headed by a group of experts in sustainability in our main production countries (clusters), who set alliances and dialogue with the most relevant local and global stakeholders and work with organisations of reference in the field of human and labour rights. The strategy has a four-year action plan which includes 135 activities of different scopes and purviews that focus on the workers in the supply chain, of which 24 have been completed and 81 are currently in progress. In 2020, in spite of the limitations resulting by the situation, 1,374 suppliers have been involved in one of the activities that are mentioned in this chapter, reaching 1,224,557 workers.

Collaboration with other brands

The collaboration between industry brands via the various existing platforms and initiatives is a resource that is becoming increasingly stronger and that helps developing systemic changes and sustainable solutions to challenges that are global and common to all the players. Examples such as the Bangladesh Accord of 2013, the ACT on Living Wages initiative to promote living wages or the most recent Covid-19: Action in the Global Garment Industry, with Inditex involved in all of them, are joint efforts with tangible results in bringing about a more sustainable industry.

In this regard, Inditex is a member of the Industry Summit, an alliance of 15 brands in the industry that share common outlooks on issues such as supply chain assessment, training or remediation programmes, among others.

The impact areas may have common action lines, programmes or goals, so our sustainability experts often share knowledge and strategies. Similarly, their implementation might affect one or more dimensions of the strategy – workplace, well-being and industry. This multidimensional character enhances the capacity for profoundness and flexibility of the strategy, enabling us to advance in the attainment of the goals in sight.

When developing the strategy, we base our work on five transversal aspects that support the implementation of every line of action:

- Human Rights: Respect and promotion of human rights as a corporate strategy and company fundamental basis.

 More information in the chapter 3.5. *Human Rights* of this Annual Report.

- Industrial relations: Promotion of social dialogue and worker participation.

 More information on section 2.7.1. *Worker Participation* of this Annual Report.

- Responsible purchasing practices: Integration of the sustainability strategy in commercial decisions.

 More information on paragraph 3.4.2. *Policies, standards and principles on which our supply chain management is based* section c) *Responsible purchasing practices* of this Annual Report.

- Training: Training and awareness of suppliers on social sustainability and decent work.

 More information on paragraph 2.7.2. *Living wages* section b) *Responsible purchasing practices* of this Annual Report.

- Project management: standardisation and development of best practices in the design, implementation and measurement of every project.



Transversal area: Project management

The projects and programmes implemented on the ground constitute an essential element that each priority impact area has to achieve its goals. The scope of such projects and programmes extends beyond the actual factories to the communities where we operate, for the purpose of addressing the root cause of such complex social challenges. Many of these projects are designed and implemented in collaboration with stakeholders in an effort to find sustainable solutions.

On the basis of our ambition to promote and escalate the projects we develop with a holistic and innovative approach focused on global impact, in 2020 we created a specific Project Management Support team comprising members of our clusters in Bangladesh, China, India, Morocco

and Turkey, with broad experience in project design, implementation and impact measurement.

The new team thus concentrated all its efforts, not only on standardising project management methodologies and supporting, monitoring and driving continuous improvement, but also in catalysing the progress of the lines of action that form the Workers at the Centre 2019-2022 strategy, via advancements made in measuring the impact of the activities and projects carried out in collaboration with stakeholders specialised in the matter.

During 2021, training will be provided to all local teams and standardised project management will be implemented, with progress to be made as well in the transition towards new management and measurement tools.

MILESTONES 2020
<ul style="list-style-type: none"> Launch of the Project Management Handbook, developed for the purpose of aligning existing efforts with global project management. Development of modules to train sustainability teams on the Project Management Handbook. Training of the team in the Theory of Change project design tool in collaboration with Shift as part of the <i>Valuing Respect Project</i>. Collaboration with relevant organisations on the development of project management technical tools to help standardise and encourage impact measurement.

After two years of implementing the strategy, in the following pages we shall present a view of the performance in each of the priority impact areas and of the goals established for advancement thereof, as well as show the

impact of covid-19 in each of the areas and the actions we have taken to protect the rights of the workers in our supply chain during the pandemic.

2.7.1. Worker Participation



IMPROVING SOCIAL DIALOGUE TO ACHIEVE MATURE INDUSTRIAL RELATIONS AND PROMOTE WORKER SATISFACTION

RELATED SDGS	2020 KEY INDICATORS	CORE STAKEHOLDER GROUPS	ACTIVITIES	
 	<ul style="list-style-type: none"> Factories involved: 127. Training for 6 suppliers and 19 factories. Bangladesh, Cambodia, Egypt, Vietnam and Indonesia. Benefited workers: 167,635. 	<i>IndustriALL Global Union / International Labour Organization / BetterWork / Ethical Trading Initiative / ACT (Action, Collaboration, Transformation) / Smart Myanmar Textile & Garment</i>		<ul style="list-style-type: none"> Completed In progress Not started
	<p>STRATEGY</p> <ul style="list-style-type: none"> a) Promoting the Global Framework Agreement with IndustriALL Global Union. b) Guaranteeing effective worker representation mechanisms. c) Raising awareness on social dialogue and worker participation. 	<p>Workplace</p> <p>Strengthening social dialogue between workers and employers as a central mechanism for continuous improvement of the working conditions at factory level.</p>	<p>IMPACT ON DIMENSIONS</p> <p>Well-being</p> <p>Empowerment of workers through continuous respect of freedom of association and collective bargaining rights.</p>	<p>Industry</p> <p>Promotion of mature industrial relations at industry level.</p>

RESPONSE TO COVID-19

- Signing the *Covid-19: Action in the Global Garment Industry*. This was created for the purpose of taking measures to protect the income and health of the garment industry workers and to help employers survive the covid-19 crisis. It aimed to work jointly to establish sustainable social protection systems for a fairer and more resilient textile industry.
- Joint declaration by Inditex and IndustriALL Global Union, designed to strengthen their longstanding cooperation to support the recovery of the garment industry worldwide during the health crisis.
- Contribution via the ACT initiative towards the creation of social dialogue platforms in countries where employers and business associations, IndustriALL Global Union and its national affiliates, along with the brands, have managed to address sectorial aspects to assist on the mitigation of the impact of the pandemic.

More information on section 1.1.2. *Protection of workers in the supply chain* of this Annual Report.

The priority impact area of Worker Participation is designed to encourage social dialogue as a differential instrument to effectively promote mature industrial relations in the Inditex supply chain. This approach is built on the premise that the workers, their representatives and the employers have to jointly tackle, not only improvements in the working conditions at the workplace, based on respect for the rights to freedom of association and collective bargaining, but it also has the possibility of raising this relationship to

a sectorial level, therefore generating mutually beneficial effects for workers and employers throughout the garment industry supply chains.

Inditex embraces this approach based on three lines of action, where collaboration with main stakeholders plays a fundamental role in managing the improvement of social dialogue to achieve mature industrial relations and, thus, promote worker satisfaction.

a) Promoting the Global Framework Agreement with IndustriALL Global Union



A joint declaration between Inditex and IndustriALL was made in 2020 for the purpose of reinforcing the longstanding cooperation by supporting the global garment industry to recover after the covid-19 crisis. Both our organisations publicly reasserted and underlined our commitments to work together with the suppliers on matters such as continuous respect for the right of freedom of association and collective bargaining throughout the company supply chain in an effective way, to ensure the validity of the workers' right of affiliation to a trade union of their choice, as well as respect for the right to collective bargaining as a tool to ensure the conditions to reach collective bargaining agreements. In addition, another of the points in this declaration on workers' participation is that of the promotion of social dialogue with information, consultation and bargaining at all levels as the main means of settling conflicts, since both parties understand that social dialogue is the most valuable mechanism to bring about mature industrial relations.

The governing principle of the Framework Agreement between IndustriALL Global Union (International Trade Union Federation representing over 50 million workers who are members of almost 600 unions worldwide) and Inditex is the shared conviction that cooperation and collaboration play a key role in the promotion of human rights within our supply chain. In this regard, respect of the rights of freedom of association and collective bargaining, along with the promotion of social dialogue in the Inditex supply chain continue to make up the backbone of the strategic relationship that Inditex formally enjoys with IndustriALL since first signing our Global Framework Agreement in 2007.

Our commitment to these principles has been reflected in the continuous evolution of our collaboration via the renewals of the Global Framework Agreement, the last one in 2019. Accordingly, the role of local affiliates of IndustriALL along with the proactive role of the sustainability department of Inditex and its local teams continues to be vital in terms of ensuring the improvement of the labour conditions of our supply chain.





Creation of the Global Union Committee

This approach has been further strengthened in 2020 with the formal creation of the Global Union Committee, a newly created body decided on during the last renewal of the Global Framework Agreement in 2019, which establishes a new coordination structure in which the voice of the local members of IndustriALL Global Union plays a significant role in defining, along with Inditex, the strategy to implement the Agreement in the markets in which our supplying activities take place.

This new structure is comprised of 9 representatives acting on behalf of the members of IndustriALL and, therefore, on behalf of the workers manufacturing in Inditex's clusters, as well as the representatives of the Spanish unions and,

thus, Inditex workers. They will be responsible for electing a Global Union Committee Coordinator, responsible for liaising with Inditex. In addition one of the members shall be responsible for General Coordination.

This new phase, which began following the renewal of the Global Framework Agreement in 2019 and the formal creation of the Global Union Committee in 2020, further encourages the role to be played by local unions in ensuring its implementation within Inditex's supply chain and, therefore, in the factories within it, considered a vitally important aspect in a scenario affected by the onset of the covid-19 global pandemic and its effects in the supply chain of the textile industry worldwide.



b) Guaranteeing effective worker representation mechanisms

BETTER WORK	ETI SOCIAL DIALOGUE PROGRAMME												
<ul style="list-style-type: none"> • Continuation of the work begun in 2007. • Factories involved: 105. • Bangladesh, Cambodia, Egypt, Vietnam and Indonesia. • Benefited workers: 127,004. 	<ul style="list-style-type: none"> • Factories involved and trained in the ETI Social Dialogue project: 3. • Factory involved in the ETI Social Dialogue Scale up phase project: 1. • Bangladesh. • Benefited workers: 8,266. 												
RELATED PIAs	RELATED PIAs												
<table border="1"> <tr><td></td><td>Living Wages</td></tr> <tr><td></td><td>Gender, Diversity and Inclusion</td></tr> <tr><td></td><td>Occupational Health and Safety</td></tr> <tr><td></td><td>Protection of Migrants</td></tr> <tr><td></td><td>Social Protection</td></tr> </table>		Living Wages		Gender, Diversity and Inclusion		Occupational Health and Safety		Protection of Migrants		Social Protection	<table border="1"> <tr><td></td><td>Gender, Diversity and Inclusion</td></tr> </table>		Gender, Diversity and Inclusion
	Living Wages												
	Gender, Diversity and Inclusion												
	Occupational Health and Safety												
	Protection of Migrants												
	Social Protection												
	Gender, Diversity and Inclusion												
IMPACTED DIMENSIONS:	IMPACTED DIMENSIONS:												
<table border="1"> <tr> <td></td> <td>Workplace</td> <td></td> <td>Industry</td> </tr> </table>		Workplace		Industry	<table border="1"> <tr> <td></td> <td>Workplace</td> </tr> </table>		Workplace						
	Workplace		Industry										
	Workplace												

Social dialogue is the basis for employers and workers to be able, using the representation mechanisms at factory and sector levels, to continue to improve the workers' conditions and therefore to boost the empowerment of the workers in our supply chain.

Better Work

The Better Work programme consists of a collaboration between the United Nations International Labour Organisation (ILO) and the International Finance Corporation (IFC), a member of the World Bank Group, which gathers together all the levels of the garment industry (international brands, governments, employers and workers) to improve working conditions and respect for labour rights and boost the competitiveness of the businesses in the sector.

MEMBERS OF BETTER WORK-2007
▼
BUYER PARTNER-2013
▼
COLLABORATION TO DATE
COLLABORATION IN THE FOLLOWING COUNTRIES
Bangladesh, Cambodia, Egypt, Vietnam, Indonesia
APPROACH BASED ON SOCIAL DIALOGUE SYSTEMS AND MECHANISMS AT SECTOR AND FACTORY LEVEL

Better Work aims to improve working conditions, with measures such as the creation of bipartite committees in Vietnam that include management and workers, seeking to use these representation mechanisms to promote social dialogue at factory level.

ETI Social Dialogue Program

Inditex has been participating since 2018 in the Ethical Trading Initiative Social Dialogue Program in three factories of its supply chain in Bangladesh, affecting 8,266 workers. This programme seeks to bolster the representation structures of workers and employers at factory level, through training and education of the Workers' Participation Committees. Ended in 2020, it has been replaced with the ETI Social Dialogue Scale Up Phase which contributes an integral approach that combines workers' participation with women empowerment through the creation of sexual harassment committees in the factories.

GOALS: ETI SOCIAL DIALOGUE SCALE UP PHASE

- Develop structures of social dialogue and gender equality in factories.
- Empower female workers through greater knowledge and leadership skills.
- Increase the capacity of factories to have grievance mechanisms against gender violence that are effective, fostering the creation of *Sexual Harassment Committees*.

4,079 workers in the Inditex supply chain benefit from the ETI Social Dialogue Scale Up project, which will continue its implementation in 2021.

c) Raising awareness on social dialogue and worker participation

SMART TEXTILE & GARMENTS

- Factories involved: 3.
- Myanmar.
- Benefited workers: 3,958.

RELATED PIAs

	Living Wages
	Occupational Health and Safety
	Social Protection

IMPACTED DIMENSIONS:

Workplace

Well-being

Industry

FREEDOM OF ASSOCIATION GUIDELINE

- Training in 19 factories.
- Training by our local team to 6 suppliers.
- Myanmar.
- Benefited workers: 32,365.

IMPACTED DIMENSIONS:

Workplace

Industry

The workers and employers, along with their respective representatives at factory and sector levels, are the groups on which we focus our actions in order to continue to improve their capacity for social dialogue. A clear example of this approach is the work we have been carrying out in Myanmar through two initiatives in collaboration with Smart Myanmar and ACT on Living Wages, respectively.

SMART Textile & Garments

The programme implemented in Myanmar by the organisation SMART Myanmar aims to improve working conditions, promote labour and environmental standards and prevent the violation of workers' rights in the textile and garment industry. This initiative is funded by the European Union and co-financed by partners in the private sector (brands, retailers and factories). At Inditex we took part in this programme with 3 factories in 2020, with 3,958 workers having benefited from the SMART Textile & Garments Management Systems Programme and its division on Workplace Communication and Dialogue which seeks to promote social dialogue between the management and the workers' representatives through training, as well as a practical approach designed to jointly address any aspects of improvement at factory level on workers' conditions.

Implementation of the guideline on freedom of association and dispute resolution mechanism

We have actively collaborated in the implementation of the freedom of association guideline agreed between the employers' representatives and the associate of IndustriALL IWFM in Myanmar in 2019, which became a key component in matters of industrial relations in the country.

The efforts made in connection with the ACT initiative in Myanmar have constituted an unprecedented advancement in matters of industrial relations in the country. In this regard, and although outside of this reporting period and subject to the continuous evolution of events, the ACT initiative and, therefore, the brands that form part of it which are present in Myanmar and IndustriALL Global Union, have signed a declaration on 19 February 2021, in which among other aspects we expressed our deep concern for the situation in the country, as well as our commitment to "fully respecting human rights and labour rights in our operations and supply chains, in particular, the right to freedom of peaceful assembly, freedom of opinion, and freedom of association under the Universal Declaration of Human Rights."⁽¹⁾



TRAINING ON THE FREEDOM OF ASSOCIATION GUIDELINE

- ACT brands and IndustriALL Global Union: 19 factories with 32,365 workers.
- Local Inditex team: 6 suppliers.



DISPUTE RESOLUTION MECHANISM (DRM) OF THE FREEDOM OF ASSOCIATION GUIDELINE

- Bargaining and agreement between the employers' task force of ACT brand suppliers in Myanmar and IWFM, the IndustriALL Global Union associate, with the technical support of the ILO.
- To ensure that the disputes on the implementation of the Guideline can be listened to and resolved in a fair and foreseeable manner.
- Implemented as a pilot between September and December 2020.

ACT Bangladesh. Interim dispute resolution mechanism

A successful collaboration experience between different stakeholders based on social dialogue has been the platform established in Bangladesh by the ACT initiative, with representatives from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), IndustriALL Global Union and its local associates, as well as the brands of the ACT initiative present in the country.

Using this platform, in 2020, it became possible to establish an interim dispute resolution mechanism to monitor the perception of all legal rights, salaries and bonuses of workers, built on solid sectoral collaboration foundations to help mitigate the effects of the global coronavirus pandemic.

(1) <https://actonlivingwages.com/joint-statement-of-act-members-on-the-situation-in-myanmar/>

2.7.2. Living wages



FACILITATING THAT WORKERS IN THE SUPPLY CHAIN EARN LIVING WAGES

RELATED SDGS	2020 KEY INDICATORS	CORE STAKEHOLDER GROUPS	ACTIVITIES	
 	<ul style="list-style-type: none"> Factories involved: 15. Training for 66 suppliers and factories. Bangladesh, Cambodia, China, India, Portugal, Turkey, Myanmar and Vietnam. Benefited workers: 76,209. 	<p>ACT (Action, Collaboration, Transformation) / IndustriALL Global Union / International Labour Organization / Better Than Cash Alliance / Universidade do Minho</p>		<ul style="list-style-type: none"> Completed In progress Not started
	<p>STRATEGY</p> <ol style="list-style-type: none"> Promoting collective bargaining. Responsible purchasing practices. Enhancing the production organisation systems and methods. Improving management systems and wage digitalisation. 	<p>Workplace</p> <p>Improvement of production organisation systems and systems for wage and working time management.</p>	<p>IMPACT ON DIMENSIONS</p> <p>Well-being</p> <p>Promotion of financial empowerment and fostering socio-economic development of communities.</p>	<p>Industry</p> <p>Participation in sectorial activities such as ACT (Action, Collaboration, Transformation).</p>

RESPONSE TO COVID-19

- Guaranteeing the payment of wages in collaboration with stakeholders like IndustriALL, ACT and suppliers.
- Payment of all orders already placed and in production as an immediate measure.
- Working with financial institutions to develop two programmes in Bangladesh and one in Morocco, designed to provide loans at attractive interest rates for our suppliers and manufacturers.

More information on section 1.1.2. Protection of workers in the supply chain of this Annual Report.

Ensuring that the supply chain workers are paid living wages is a goal we have been working on for years at Inditex, guided by the solid principles set forth in the Code of Conduct for Manufacturers and Suppliers. This Code establishes that all workers in the factories shall earn living wages, understood as enough to meet at least the basic needs of workers and their families and any other which might be considered as reasonable additional needs. In order to advance in the achievement of this goal, we have developed a strategy that has been adapted over time to respond to the needs of the workers and the evolution of the context, but which has always upheld the core principle that living wages must be the result of bargaining between the workers' representatives and the employers, with the support of the brands.

In this regard, we work together with trade unions, suppliers, local and international entities, governments and universities to address the common challenge of providing living wages for the industry. Therefore, our participation in the ACT (Action, Collaboration, Transformation) initiative is key to our strategy. This initiative is promoted by international brands, manufacturers and trade unions seeking to transform the sector and achieve living wages for the workers in the supply chain through collective bargaining and freedom of association, supported by responsible purchasing practices.

At Inditex, we thus support the definition of ACT of living wages:

WHAT IS A LIVING WAGE?

A living wage is the minimum income necessary for a worker to meet the basic needs of himself/herself and his/her family, including some discretionary income. This should be earned during legal working hour limits (i.e. without overtime).



Among other organisations with whom we collaborate, we are also members of the task force on living wages of the Decent Work Action Platform of the United Nations Global Compact. Through this platform we share experiences and lessons learned with other businesses in other sectors.

The global crisis situation brought about by the covid-19 pandemic has served to highlight even more the need to continue to work in pursuit of this goal and how collaboration between brands and stakeholders is fundamental not only to advance towards this goal, but also to ensure that it is long lasting and sustainable over time. Therefore, guaranteeing workers' employment and wages, particularly during the 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 also have worked with organisations such as ACT and IndustriALL.

 More information on section 1.1.2. *Protection of workers in the supply chain* of this Annual Report.

a) Promoting collective bargaining

COLLABORATION WITH ACT

- Bangladesh, Cambodia, Myanmar and Turkey.

RELATED PIAs

 Worker Participation

IMPACTED DIMENSIONS:

 Well-being  Industry

Our living wages strategy is based on the premise that wages and, in general, decent working conditions, are those which have come about from bargaining and agreement between employers and freely elected workers' representatives.

Under the umbrella of our Global Framework Agreement with IndustriALL Global Union, we carry out a number of actions to promote and encourage collective bargaining, as well as to train workers and employers, providing them with the necessary tools to defend their rights, including the right to living wages. Our work in the Worker Participation area is therefore key in being able to assist factories and suppliers to meet the necessary criteria for establishing free and informed collective bargaining to reach agreements in the sector.

FACTORIES IN THE INDITEX SUPPLY CHAIN COVERED BY A COLLECTIVE BARGAINING AGREEMENTS IN 2020

GEOGRAPHIC AREA	2020
AFRICA	30
AMERICAS	21
ASIA	112
EUROPE OUTSIDE THE EU	42
EUROPEAN UNION	1,907

We also collaborate with IndustriALL in the ACT initiative. In conjunction with all other members, we promote the creation of spaces for dialogue between workers and employers to help negotiate collective agreements in the textile industry. In 2020, we have continued to work within the framework of ACT in countries like Myanmar, Bangladesh, Turkey and Cambodia.

The case of Bangladesh is of particular interest where, on the basis of the work begun in the country in 2019, in 2020 the employers' association BGMEA, IndustriALL and its local associate IndustriALL Bangladeshi Council, and the ACT brands with supply chains in Bangladesh came together to seek joint and collaborative solutions to face the covid-19 pandemic through dialogue among all of the parties. This led to a joint working plan to tackle covid-19, which identified a number of priorities to be addressed collaboratively in response to the crisis. Since then, national interested parties, the brands and IndustriALL have worked together to implement this plan, including the agreement on an interim dispute resolution mechanism among the actions set out therein.

The work carried out by ACT in Myanmar in 2020 is also worthy of note. Among other actions, we have provided training for suppliers on the Freedom of Association Guideline, developed and agreed in 2019 by representatives of the suppliers and manufacturers that produce for brands belonging to ACT in the country and the Industrial Workers' Federation of Myanmar (IWFM) the local associate of IndustriALL. 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.

b) Responsible purchasing practices

ACT COMMITMENTS

- 120 buyers trained.

RELATED PIAs

	Worker Participation
	Gender, Diversity and Inclusion
	Occupational Health and Safety
	Protection of Migrants
	Social Protection
	Protection of labour rights in the production of raw materials

IMPACTED DIMENSIONS:

	Workplace		Industry
---	-----------	---	----------

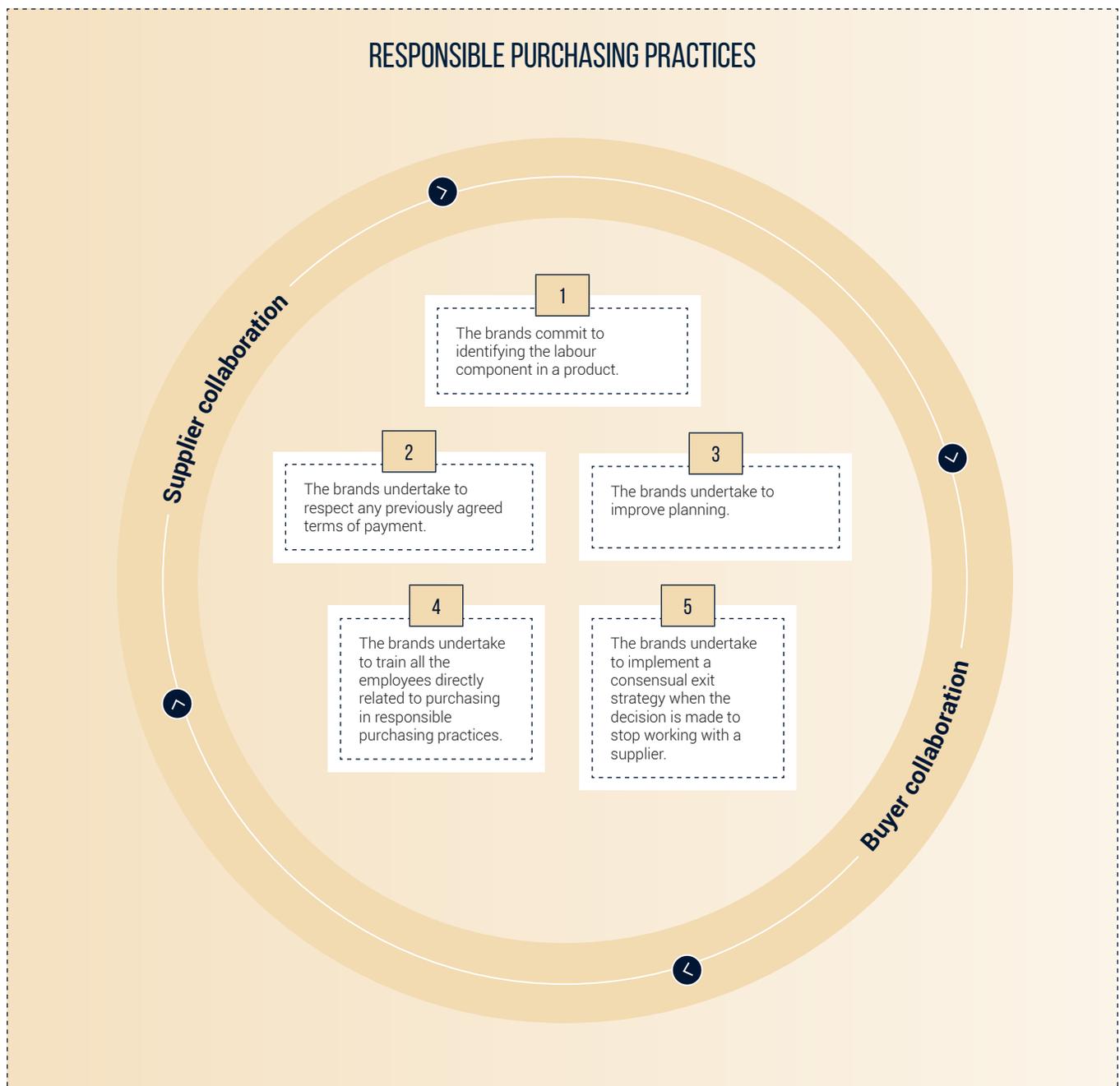
Responsible purchasing practices include all aspects related to purchasing from the perspective of the impact thereof on the conditions of the workers of the supply chain, including their wages. Purchasing planning, price setting criteria, delivery deadlines to suppliers or even the business relationship with them, all have a repercussion on the workers; for this reason the commercial teams play a significant role in the living wages strategy of Inditex.

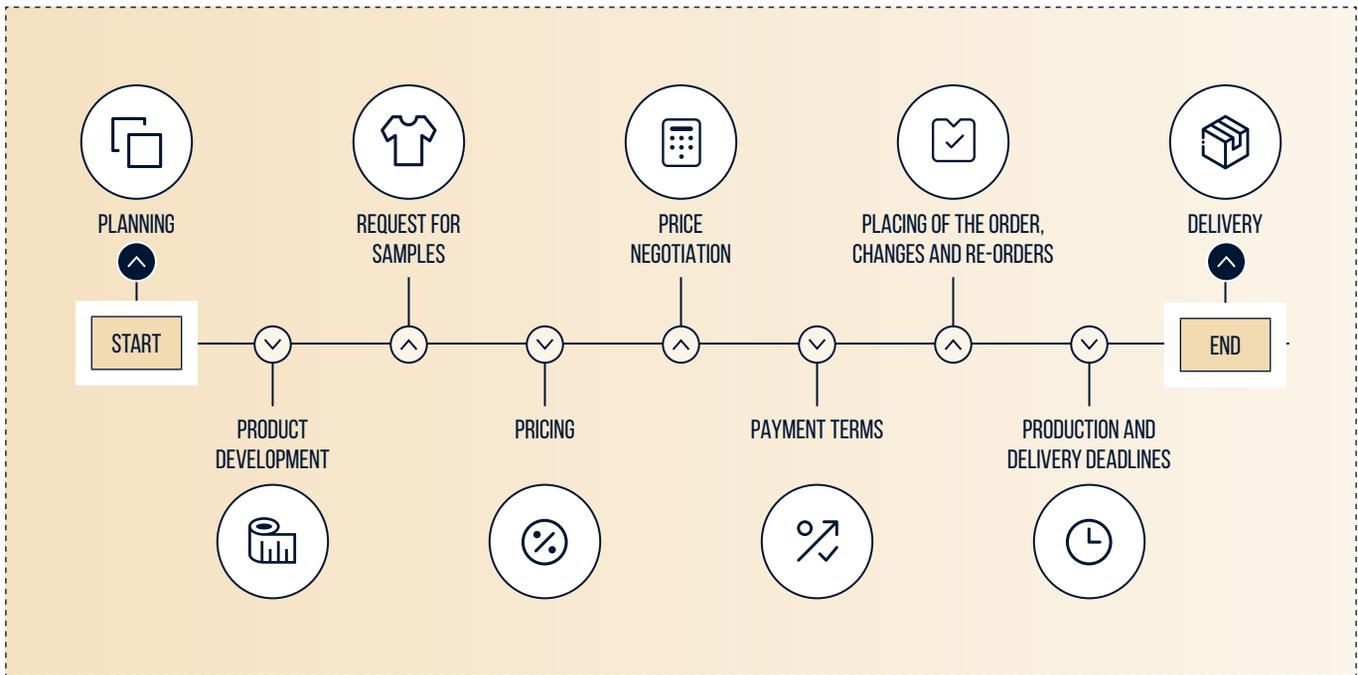
As an immediate step to combat the crisis arising from covid-19, we have guaranteed the payment of all orders already placed and in the production stage.

Moreover, as a joint response to the crisis and as an ACT brand member, we have undertaken to participate in a number of initiatives designed to help suppliers deal with the impacts arising from covid-19.

 More information on section 1.1.2. *Protection of workers in the supply chain* of this Annual Report.

Our collaboration with ACT also plays a key role in the implementation of our responsible purchasing practices. Within this framework, in March 2015 Inditex signed a Memorandum of Understanding with IndustriALL, which guarantees our commitment to responsible purchasing practices that enable the payment of living wages. On the back of this commitment, throughout 2020 we have continued to work with ACT in developing responsible purchasing practices in all the industry. Internally, we have continued to make progress in the implementation of the purchasing commitments that the brands participating in the initiative agreed in line with the overall implementation goal in 2023 defined by ACT. In addition, our teams have provided training to 120 buyers.





Among the commitments on matters of purchasing practices of ACT, the identification of the labour costs of a product is worth highlighting. We have begun to train and work with our purchasing teams on the importance of identifying the costs of labour as another component of the negotiation.

Moreover, we involve the suppliers because their opinion and experience is fundamental in being able to develop practices that are positive for the workers and the suppliers alike. For this reason we use tools commonly applied throughout the industry to obtain their valuations on

purchasing practices. In parallel, proprietary and specific surveys on our practices are organised.

The communication among our sustainability teams, buyers and suppliers is constant. Within the context of ACT, and among the actions carried out, it is worth mentioning the communication to 50 suppliers in Turkey on the ACT principles regarding responsible purchasing practices.

i More information in paragraph c) Responsible purchasing practices section 3.4.2. Policies, standards and principles on which our supply chain management is based of this Annual Report.

Supplier training and capacity building

The training and capacity building of our suppliers and manufacturers on social sustainability is fundamental for the implementation of the Workers at the Centre 2019-2022 strategy. We are aware of the need to be aligned, firstly with the Code of Conduct, its applicability and compliance, and then with the values and principles that guide the programmes and activities that form part of

our strategy, such as those in the area of living wages, or gender, diversity and inclusion. This has allowed the Inditex sustainability teams, along with several organisations, to arrange 407 individual training sessions and provide group training to 637 suppliers in 2020 for the purpose of sharing knowledge with a view to developing more sustainable supply chains.



We develop programmes to support manufacturers in the improvement of their production management systems, thus helping to improve the working conditions of the employees.

c) Enhancing the production organisation systems and methods

<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">LEAN PROJECT</div> <div style="border: 1px dashed black; padding: 5px; margin-bottom: 10px;"> <ul style="list-style-type: none"> • Factories involved: 13. • Bangladesh, China, India, Portugal. • Benefited workers: 9,586. </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">RELATED PIAs</div> <div style="border: 1px dashed black; padding: 5px; margin-bottom: 10px;"> <div style="display: flex; align-items: center;"> Occupational Health and Safety </div> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">IMPACTED DIMENSIONS:</div> <div style="border: 1px dashed black; padding: 5px;"> <div style="display: flex; align-items: center;"> Workplace </div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">SCORE PROGRAMME</div> <div style="border: 1px dashed black; padding: 5px; margin-bottom: 10px;"> <ul style="list-style-type: none"> • Factories involved: 2. • China. • Benefited workers: 518. </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">RELATED PIAs</div> <div style="border: 1px dashed black; padding: 5px; margin-bottom: 10px;"> <div style="display: flex; align-items: center;"> Workers participation </div> <div style="display: flex; align-items: center;"> Occupational Health and Safety </div> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">IMPACTED DIMENSIONS:</div> <div style="border: 1px dashed black; padding: 5px;"> <div style="display: flex; align-items: center;"> Workplace </div> </div>
--	---

Right from the start of our living wages strategy we have been aware of the direct link between workers' labour conditions and the production organisation methods in the factories. The way in which a factory plans production, organises the production lines and flows, manages the stock and the importance it gives to order and cleanliness in the workplace directly influence issues such as the organisation of the working hours, the workers' wages, ergonomics and even the satisfaction and motivation of the workers themselves.

For this reason, we develop several programmes, both internally and in cooperation with other organisations, aiming to improving workers' conditions by adjusting the production organisation systems in the factories. These programmes are beneficial for the workers themselves, who are always the main target of the improvements undertaken, and for the factories, that benefit from the optimisation of their systems and ensuing increases in production.

In addition to the development of these programmes, we are also working on creating guidelines and training material both for our own teams and our suppliers, aimed at boosting knowledge in the areas of production organisation and its relationship with workers' conditions.

LEAN Project

The Lean project began in 2015 in China as an initiative driven by engineers belonging to the Inditex sustainability teams. As the name indicates, the project is based on the implementation of the Lean methodology for production management. At Inditex we have developed our own implementation system that is built upon the tools of this methodology, which we have adapted and directed towards our goal to improve the workers' labour conditions. We have also developed an in-house system of indicators and monitoring that allows us to assess the impact achieved, both in production management systems and workers' labour conditions.



LEAN Project

An initiative carried out by industrial and textile engineers of Inditex, and driven by the various local Sustainability teams.

MAIN OBJECTIVE

To improve the working conditions of the workers of the participating factories, through improving production management systems and greater involvement of the workers thanks to the implementation of the Lean methodology tools.

THE WORKER IN THE PROJECT

The implication and collaboration of the workers are key to the success.

All project benefits are directed towards the workers.

The spotlight is on the workers at all times.

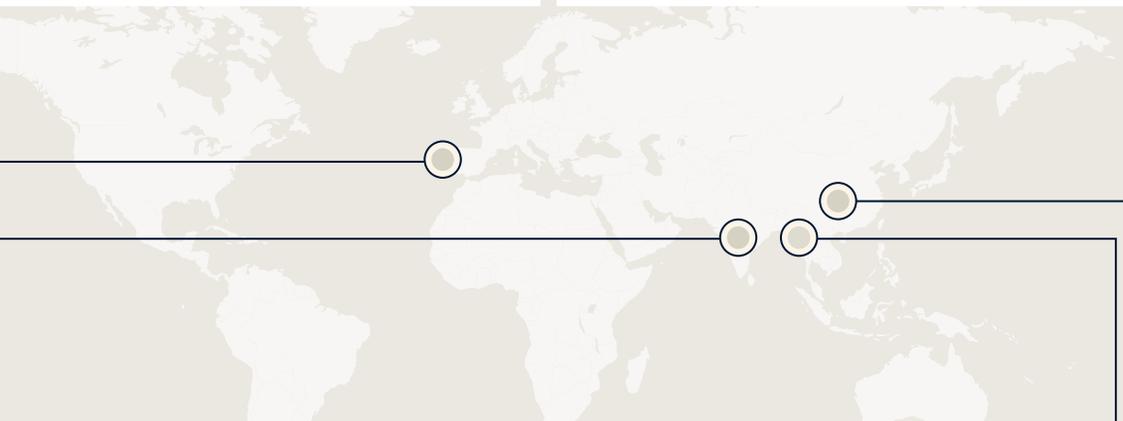
The project is developed for and on behalf of the workers.

PORTUGAL

We have continued to collaborate with the *Universidade do Minho* in the implementation of a project that benefits 207 workers.

We have monitored nine factories (2,627 workers) previously involved in the project (on-site monitoring of four factories). In 2021, we shall resume the implementation as well as add new ones.

CHINA



INDIA

Regular contact with the supplier to monitor the project (3,192 workers benefited).

At the end of 2020 we have resumed the project that had started at two suppliers (3,560 workers), continuing to improve their management systems.

BANGLADESH



The normal course of the LEAN Project in the factories was compromised in 2020, insofar as the very nature thereof requires the continuous presence of our teams to provide training, implementation and support. In this regard, throughout the year we have endeavoured to continue to provide the utmost support possible to the factories involved, via online monitoring in cases where the pandemic prevented us from performing on-site monitoring.

In 2021 we aim to continue to promote the project, consolidating its implementation in countries where it is currently under way provided the context allows for this. We also aim to extend it to other countries, including Cambodia, where we carried out a first pilot experience in 2019, and Morocco, where we have begun to train our internal teams in the country.

SCORE programme

We have been taking part in the Sustaining Competitive and Responsible Enterprises (SCORE) programme organised

by the International Labour Organisation since 2014. This programme consists of five modules that aim to improve the management systems of small and medium sized enterprises in order to enhance working conditions and promote fundamental labour rights.

Since the beginning, we have been involved with the implementation of the programme in factories of our supply chain in countries such as China, Turkey and Pakistan. Its actual development became possible in 2020 in two factories in the supply chain in China. The implementation of the programme was completed in one factory (418 workers), and towards the end of the year we began the implementation of the first module of the programme: "Cooperation in the workplace: the basis of business success" in another factory in the country (with 100 workers).

We continue in contact and working with the ILO with a view to resuming the implementation of the programme in other factories within our supply chain in other countries as soon as it becomes possible.

d) Improving management systems and wage digitalisation

RAISING AWARENESS OF SUPPLIERS AND MANUFACTURERS ON WAGE DIGITALISATION

- Training to 66 suppliers.
- Cambodia and Vietnam.
- Benefited workers: 66,105.

RELATED PIAs

Gender, Diversity and Inclusion

IMPACTED DIMENSIONS:

Workplace

Well-being

The management systems in the factories affect key aspects of the wages, such as time and method of payment. Our audits enable us to evaluate and analyse not only the remuneration received by workers and whether this constitutes a living wage, but also the various salary components, including time and payment method used. This information allows us to detect areas for improvement in the wage management systems of suppliers and manufacturers. For instance, in 2020 we performed an analysis on the wage payment systems in China, in order

to detect areas for improvement in the remuneration calculation systems used by the manufacturers.

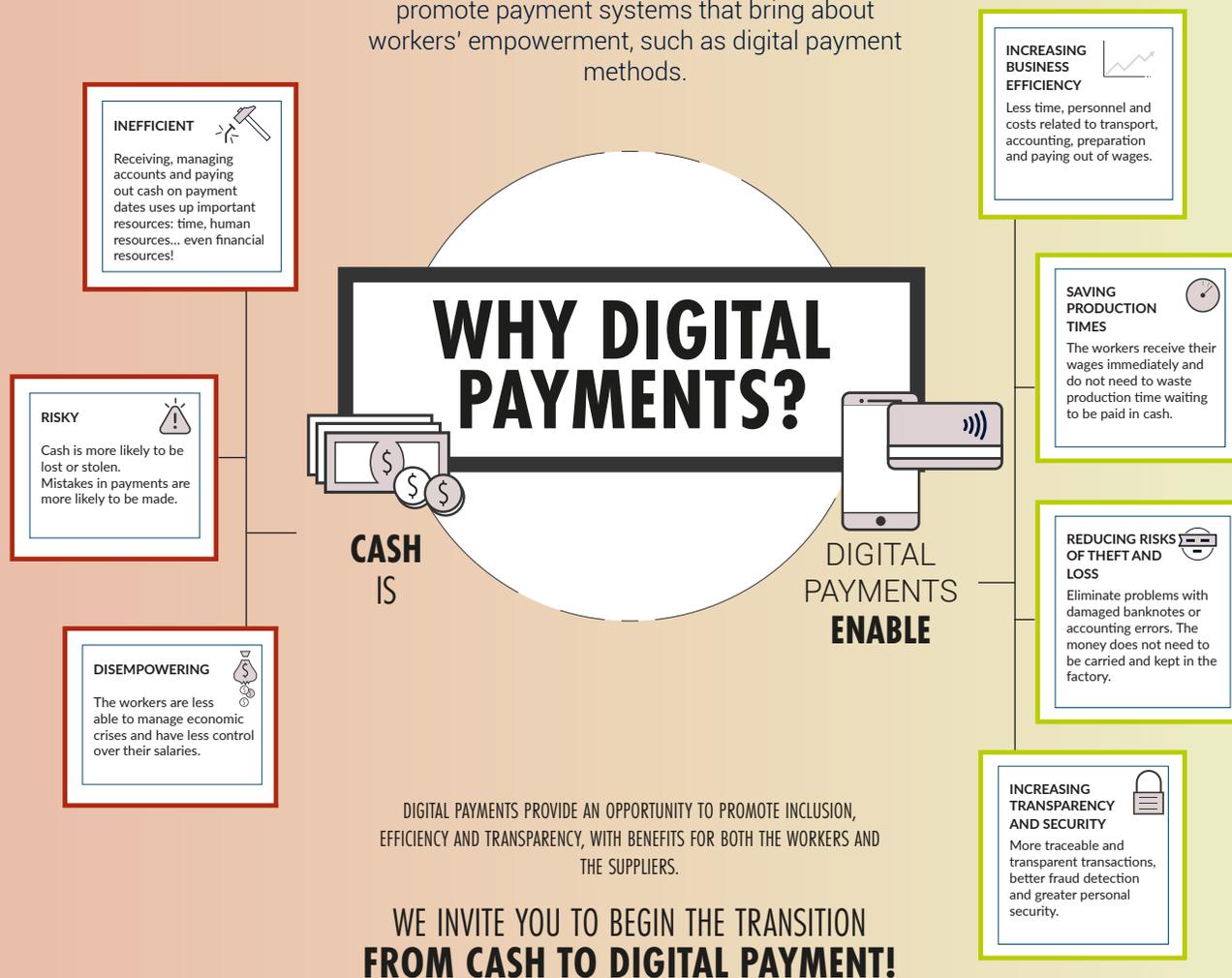
Similarly, the inclusion and financial empowerment of workers are fundamental aspects that must be taken into consideration when addressing living wages from a global standpoint. This is why we train and raise awareness of suppliers to promote payment systems that bring about workers' empowerment, such as digital payment. These systems are also beneficial for the suppliers themselves, rendering the transactions required to pay the salaries more efficient, more secure, more transparent and exposed to less risk. In this regard, we must mention that Inditex is a member of the Better Than Cash Alliance: an alliance of governments, companies and different international organisations, based on the United Nations, aiming at the global promotion of the transition towards a digital economy.

In that regard, the digitalisation of wages has become particularly relevant given the pandemic situation in many of the production countries, in order to facilitate compliance with social distancing measures and to make payments properly and promptly even when workers were not on site at the factory. A good example of this is Bangladesh, where the effort to digitalise wages has been considerable in the wake of the pandemic. In previous years, brands, international organisations, employers and even government institutions all came together to promote digitalisation in the country, but the restrictions brought on by the pandemic and the government's strong support of wage digitalisation (going as far as linking it with eligibility criteria to qualify for financial aid) have played a crucial role in driving the change of wage payment systems in the factories in the country.



EXAMPLE OF TRAINING MATERIAL ON THE TOPIC OF DIGITALISATION.

We train and raise awareness of suppliers to promote payment systems that bring about workers' empowerment, such as digital payment methods.



INDITEX

Aware that the change still needs to be assimilated by suppliers and workers, we have created a number of information materials designed to make both parties aware of the benefits of wage digitalisation and inform them of fundamental aspects to bear in mind if digital payment systems are already in use. These materials have been used in the training provided by our teams and will continue to be used throughout 2021 in various countries. In this regard, we have carried out a number of training actions with suppliers in countries like Vietnam or Cambodia. At the end of 2020, we provided training for 58 manufacturers in Vietnam (a total of 62,179 workers), where, among other issues, a module was included on the benefits of digital wage payment in order to promote the adoption of such system. To this end, materials designed internally by our teams were used.

In addition, in Cambodia we have had individual on-site meetings with eight manufacturers (3,926 workers) in collaboration with the organisation BSR. Issues such as the benefits of wage digitalisation, both for factory management and the workers, were discussed in these meetings, as a preliminary step towards the implementation of digitalisation projects.

It is also to be mentioned that our wage digitalisation strategy is closely linked to our Gender, Diversity and Inclusion strategy, since financial empowerment is key to women's empowerment. In this regard, we work towards executing wage digitalisation programmes with a focus on women's empowerment in collaboration with the BSR organisation in countries like India and Bangladesh.

2.7.3. Gender, diversity and inclusion



PROMOTING THAT ALL WOMEN IN THE SUPPLY CHAIN BENEFIT FROM THE BEST CONDITIONS AND THE SAME OPPORTUNITIES, WHILE PROMOTING GENDER EQUALITY IN A CROSS-CUTTING MANNER, AND CREATING A DIVERSE, SAFE AND INCLUSIVE WORK ENVIRONMENT.

RELATED SDGS	2020 KEY INDICATORS	CORE STAKEHOLDER GROUPS	ACTIVITIES	
 	<ul style="list-style-type: none"> Factories involved: 67. Training for 19 suppliers and 17 factories. Bangladesh, China, India, Morocco, Turkey and Vietnam. Benefited workers: 53,196. Persons benefited in the community: 3,397. 	<p>International Labour Organization / BSR / Swasti / Medicus Mundi / UN Women / AÇEV / United Nations Foundation</p>	<p>2</p> <p>1</p> <p>9</p>	<ul style="list-style-type: none"> Completed In progress Not started
	<p>STRATEGY</p> <p>a) Health: Facilitating healthcare services, chiefly in maternity and reproductive health</p> <p>b) Protection: Promoting zero tolerance policies and practices for prevention and management of workplace harassment.</p> <p>c) Empowerment: involving female workers in programmes related to finance, leadership, and empowerment.</p>	<p> Workplace</p> <p>Promoting diverse, safe and inclusive working environments.</p>	<p> Well-being</p> <p>Promoting gender equality in the communities in which we carry out our production activity.</p>	<p> Industry</p> <p>Empowering women and other vulnerable groups by working with local and international partners.</p>

RESPONSE TO COVID-19

- Adaptation of the strategy to the new situation, identifying new alternatives to respond to the new needs of male and female workers.
- Emergency help and support for working women with dependents.
- Inclusion of new technologies in the development of training sessions.
- Webinar on covid-19 preventive measures.
- Clinics for medical campaigns that form part of the Medicus Mundi Sur project have been used to treat covid-19 patients.

More information on section 1.1.2. *Protection of workers in the supply chain* of this Annual Report.

In line with SDG 5 – Achieve gender equality and empower all women and girls – we have had a Women Empowerment Strategy in place since 2017. Despite having overcome many challenges, there are others yet outstanding. Our commitment to this goal is absolute, as well as to diversity, multiculturalism and respect, which are values that lie at the core of our values.

Therefore, and based on the three main pillars of the strategy (health, protection and empowerment) and having detected communities such as the LGTBI+ which might be subject to a higher degree of discrimination, in 2020 we have broadened the scope and reconverted the strategy into “Gender, Diversity and Inclusion”.

Achieving cross-cutting gender equality throughout our supply chain is only possible through inclusive growth built on equality, where human rights are respected and form the basis of all our activities and projects. Through our different programmes we ensure that all men and women workers in our supply chain enjoy the best conditions and opportunities, while encouraging cross-cutting gender equality and creating a working environment that is diverse, safe and inclusive

Cross-cutting issues in gender equality

1. DIVERSITY AND INCLUSION

Our commitment to diversity, multiculturalism and respect is absolute; for this reason, during 2020 we have decided to include this line of action into our strategy. During this last year, an analysis of the legal framework of the main countries in which we operate has been performed for the purpose of gaining a better understanding in this regard. We shall thus be developing projects to prevent and address discrimination in the workplace that particularly affect communities like the LGBTBI+. In this way we shall be promoting environments of inclusion and respect irrespective of gender or sexual orientation, through training and awareness efforts, among others. To develop this line of action, collaboration with local entities specialised in the matter is essential.

2. IMPACT IN OTHER WORK AREAS

One of the most important aspects of this priority impact area lies in the effort made to promote gender equality at all levels of the supply chain and in all our activities. To this end, we promote a cross-cutting approach to the strategy, not only in terms of observance and investment in the community, but also in all other priority impact areas (PIAs). This enables us to work with the following programmes, among others, in an effort to ensure that those who are ordinarily involved in these activities bring a gender equality and empowerment perspective to their work.

- ETI Social Dialogue Scale Up Phase in collaboration with the Worker Participation PIA. Support is key

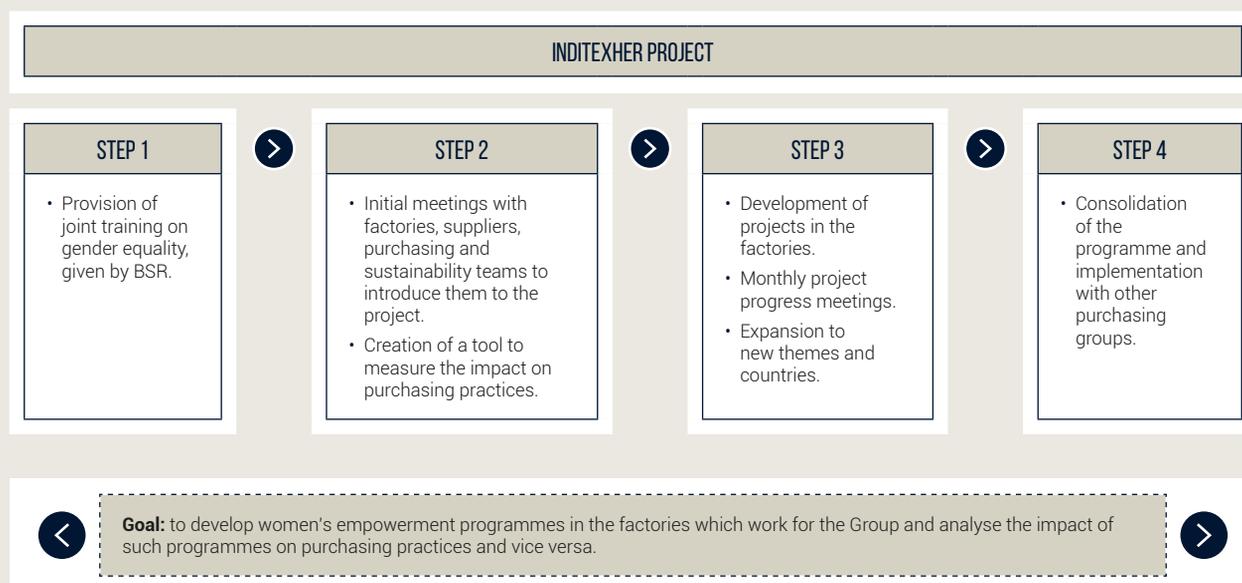
to increasing the capacity of the factories to have grievance mechanisms against gender violence that are efficient, promoting the creation of Sexual Harassment Committees.

- HerFinance in collaboration with the Living Wages PIA, to empower women in financial inclusion.
- Health programme with Medicus Mundi in collaboration with the Health & Safety and Social Protection PIAs.
- Sowbhagyam programme in India, related to the Migrant and Refugee Protection PIA.

3. IMPACT ON PURCHASING PRACTICES

The goal of the inditeXher project is to develop women's empowerment programmes in the factories that work for the Group and to analyse the impact thereof on purchasing practices and vice versa. We want to show that gender equality is not only a fundamental human right, but that it also has a positive impact on the business.

With this project we are able to impact the three pillars of the strategy; health, protection and empowerment. We are currently at the third phase of the project. In China, we have already begun providing our financial education programmes to women workers in three factories. In Vietnam, this year 2021, we will be starting a joint health and protection programme, organising a number of awareness sessions on access to healthcare. We shall also be providing training on gender equality and prevention of sexual harassment and violence.



4. IMPACT IN THE INDUSTRY

a) Self-diagnosis tool with ICRW

In 2020 Inditex joined the gender task force of the Industry Summit, which resulted from the collaboration between several industry brands. As part of this task force, and in collaboration with the organisation ICRW (International Center for Research on Women) a gender self-diagnosis tool was developed for suppliers and manufacturers that enables us to gain an even closer view of the needs of women workers. In 2020 we have put this tool into operation in 3 factories, with 1,812 workers.

CHARACTERISTICS OF THE TOOL

- It incorporates a questionnaire designed to evaluate and generate a customised scorecard to understand the extent of gender integration in the workplace, through the analysis of their policies, practices, initiatives and operations.
- It can be used to generate a specific snapshot of the situation of a factory in matters of gender equality.
- It helps to identify new opportunities of positive impact and to develop priority action areas.
- It is public and can be used by any interested person or entity.

b) The UN Women WEPs Activator

In 2020, Inditex worked with Amfori and BSR in a skills development programme involving 16 companies from different sectors to learn and share knowledge on practices and policies related to gender equality through training and individual sessions. The training addressed the following topics:

GENDER EVALUATION, PLANNING AND REPORTING	TRAINING ON ROLES AND PREJUDICE
TRAINING ON GENDER-BASED INEQUALITY	EQUITABLE WORKPLACES
WOMEN AND LEADERSHIP	SEXUAL HARASSMENT
PROFESSIONAL TRAINING AND DEVELOPMENT	ENABLING THE EMPOWERMENT OF WOMEN WORKERS IN THE SUPPLY CHAIN

The goal is to acquaint businesses with women empowerment principles (WEPs) as well as the use of tools to measure progress in gender equality. Three of these sessions have already taken place, and the rest are scheduled to be held throughout 2021.



a) Health: Facilitating healthcare services, chiefly in maternity and reproductive health

SAKHI HEALTH PROGRAMME	HEALTH PROGRAMME WITH MEDICUS MUNDI
<ul style="list-style-type: none"> • Factories involved: 16. • Training provided to 43 senior management staff, 85 participants and a webinar with 18 participants. • India. • Benefited workers: 23,100. 	<ul style="list-style-type: none"> • Factories involved: 34. • Training provided for 5 suppliers and 7 factories, 357 workers involved in the medical campaign, 28 workers involved in the awareness raising effort. • Morocco. • Benefited workers: 14,174.
RELATED PIAs	RELATED PIAs
<div style="display: flex; align-items: center;"> Occupational Health and Safety </div>	<div style="display: flex; align-items: center;"> Occupational Health and Safety </div>
IMPACTED DIMENSIONS:	IMPACTED DIMENSIONS:
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="display: flex; align-items: center;"> Workplace </div> <div style="display: flex; align-items: center;"> Well-being </div> </div>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="display: flex; align-items: center;"> Workplace </div> <div style="display: flex; align-items: center;"> Well-being </div> <div style="display: flex; align-items: center;"> Industry </div> </div>



Public commitment to UN Foundation

In 2019, within the framework of the event organised by *Women Deliver* specifically focused on sexual and reproductive health rights, Inditex made a public commitment, along with the UN Foundation and other brands in the sector, to promoting women's health.

Inditex has undertaken to expand its Gender, Diversity and Inclusion Strategy throughout its supply chain, aiming to reach over 1 million women workers with programmes on health, protection and empowerment by 2022, specifically committing to reaching at least 70,000 women workers with health services such as maternity and reproductive health care by 2022.

This commitment has arisen from a growing trend in the private sector to contribute towards gender equality as a fundamental component of progress.

SAKHI Health

One of the main needs of any human being to lead a happy and full life is to enjoy good health. In the cultural context of India many women fail to pay attention to their own health due to the unpaid workload they often carry and the general lack of awareness of this matter. At Inditex we believe it is essential to raise awareness on issues related to female health among women workers, as well as of general health pathologies for all workers.

We have been collaborating with our local partner St Johns Medical College since 2013 in the development of a number of health-related programmes throughout the supply chain, which became the Sakhi Health project.

Due to the pandemic, the training programmes have been delivered virtually to 16 suppliers. The “Train the Trainers” model was used to train 53 people in child day-care services, 52 people in rights and good practices for pregnant workers and 82 participants in a training session for parents and mothers with children under the age of 5, among others. In addition, awareness raising sessions were held for 43 management representatives to emphasise the need to improve factories in terms of health and awareness.

Lastly, sessions on orientation for canteens, day-care centres and clinics have been held for 35 external auditors. These sessions, as well as a guide to ensure sustainability in these aspects in the factories, have been provided by St Johns.



SAKHI HEALTH PROJECT

The **GOAL** of this project is to directly benefit the workers in the supply chain in matters of health and well-being, in turn indirectly benefiting family members and the community.

- Developed since 2013.
- The focal points are health and well-being of the employees, including those who provide auxiliary services in the factories, such as first aid clinics, canteens and day-care centres.
- Expansion of the project to include vulnerable communities, pregnant women, mothers and fathers of children under the age of five.



Health programme with Medicus Mundi

The project began in 2015 for the purpose of promoting the right to health and social and labour rights among the vulnerable population of the garment industry in Morocco. It comprises the following working modules:

<p>MEDICAL CAMPAIGN</p>	<p>GOALS</p> <p>Prevention of occupational diseases in the garment industry.</p>	<p>ACTIONS</p> <ul style="list-style-type: none"> • Urine and blood analyses, general medical checkup and chest x-Ray. • If necessary, the patient is provided with a medical prescription or an additional analysis and, if required, the patient is referred to a specialist. • 357 persons benefited (61% women) in 3 factories in 2020.
<p>AWARENESS CAMPAIGNS ON PREVENTION OF RISK AND OCCUPATIONAL DISEASES.</p>	<p>GOALS</p> <p>Workers' awareness of occupational risks and diseases, as well as prevention measures. They also address the advantages provided by Moroccan social security, offering protection against loss of income in the event of sickness, maternity, incapacitation or old age.</p>	<p>ACTIONS</p> <ul style="list-style-type: none"> • Training sessions provided by occupational physicians to 28 workers. Special attention is paid to clarity of the contents and use of simple language to ensure a good exchange of ideas with the beneficiaries. The training includes modules on prevention and the work code, or the importance of protection against covid-19. • Raising awareness of 28 workers about the advantages offered by Moroccan social security.
<p>RAISING AWARENESS ON HEALTHCARE ASPECTS</p>	<p>GOALS</p> <p>Reinforce the workers' knowledge of social and healthcare rights.</p>	<p>ACTIONS</p> <ul style="list-style-type: none"> • Sessions with 238 workers of companies involved in the project. These sessions included an introduction to the right to healthcare and the socio-sanitary rights included in the Moroccan Work Code were also discussed. Workers appreciated that these were held outside of the factory, that topics not usually addressed were discussed and that dialogue between men and women was encouraged.
<p>PREPARATION AND DISTRIBUTION OF INFORMATION ON COVID- 19 AND PREVENTION IN THE TEXTILE INDUSTRY</p>	<p>GOALS</p> <p>Support of the Moroccan Department of Health and Labour in June 2020 in the distribution of posters informing on covid-19 transmission prevention.</p>	<p>ACTIONS</p> <ul style="list-style-type: none"> • Preparation of 14 posters (7 in Arabic and 7 in French). • Distribution of 3,003 posters (2023 in Arabic and 980 in French). • Distribution of material to 3 public institutions, 4 associations and 38 factories with 15,311 workers.



We promote cross-cutting gender equality, aiming to create a diverse, safe and inclusive working environment.

b) Protection: Promoting zero tolerance policies and practices for the prevention and management of workplace harassment

<p>SOWBHAGYAM 1</p>	<p>MEDICUS MUNDI PROTECTION PROGRAMME</p>
<ul style="list-style-type: none"> • Training in 4 communities. • India. • People benefited: 2,897. 	<ul style="list-style-type: none"> • Factories involved: 8. • Participative workshops: 20. • Women workers trained: 238. • Morocco. • Benefited workers: 2,487. • Women benefited in the communities 500.
<p>RELATED PIAs</p>	<p>RELATED PIAs</p>
<p> Protection of Migrants</p>	<p> Social Protection</p>
<p>DIMENSIONS IMPACTED:</p>	<p>DIMENSIONS IMPACTED:</p>
<p> Workplace Well-being Industry</p>	<p> Workplace Well-being Industry</p>

SOWBHAGYAM 1 Project

Since 2013, in collaboration with the local organisation SAVE, we have been carrying out exhaustive audits, controls and trainings to ensure that our suppliers are not involved in any discriminatory practice in the factories in Southern India and, particularly, in the area of Tamil Nadu.

During 2020 we have been working to raise awareness in the community on the importance of schooling children until the age of 18. Information on children's rights is provided via audios, videos and posters in 4 different

districts, having reached 2,897 people. This number includes 531 men, 957 women, 653 boys and 756 girls (59% women and girls). In this regard, and following fluid communication with our partners in the country, the programme Sowbhagyam 2 was created to act directly in the spinning mills of Tamil Nadu adding to the work done until the date in the communities.

More information on section 2.7.5. Protection of migrants and refugees of this Annual Report.

Medicus Mundi protection programme

As part of our collaboration with Medicus Mundi in Morocco, in 2020 we broadened the pillar of protection in the project, raising awareness and insisting on aspects like workplace harassment and women's rights. As part of the programme, we have developed a series of modules:

LISTENING AND SUPPORTING WOMEN

Between January and March, a total of 22 people from 3 different factories were attended by the Annadja centre of the UAF (Feminist Action Union of Morocco) association, listening and supporting women. The reason for such visits was mostly to obtain legal advice on medical care, problems at work, psychological support, domestic violence, and unmarried mothers' assistance programmes.

SUPPORT FOR WOMEN IN VULNERABLE SITUATIONS

The purpose of this module is to support women who are in a difficult situation as a result of the pandemic. Eight factories sent a list of women in situations of vulnerability. These women were provided with kits of food and hygiene products, which were delivered during Ramadan, a month of great religious importance during which it is particularly necessary for women to have these resources. The total number of women who benefited from this support was 285. In addition, hygiene kits were provided to 500 women in the community.

MATERIAL FOR RAISING AWARENESS AND EDUCATION

As an extension of the work carried out last year to produce awareness raising materials, these were printed once again and included posters on workplace harassment and leaflets on various topics (workplace harassment, the rights of working women in the Moroccan Work Code and the changes in the Family Code that directly affect the situation of women in Morocco).

The printed material added up to 128 posters and 2,740 copies of each of leaflets designed. The goal is, on the one hand, to distribute the posters to the businesses adhered to the project and, on the other, to provide the UAF with leaflets to distribute during the awareness sessions they hold for factory workers.

RAISING AWARENESS ON LABOUR RIGHTS

The aim of these sessions is to reinforce the workers' knowledge on matters of social and labour rights, as well as strengthen the knowledge of both men and women workers on women's labour rights as set forth in the Moroccan Work Code. 238 workers (128 women and 110 men) from 5 suppliers took part in these sessions, which addressed the following areas:

- History of the women's movement in Morocco.
- Gender equality and *Moudawana* (Family Code).
- To become acquainted with the various forms of gender violence and harassment in the workplace and their consequence for the staff as well as for the business and productivity.
- To get to know the Moroccan legislation.
- To help affected female workers, and prevent the situation from worsening or similar situations from happening elsewhere.

CREATION OF A NETWORK OF GENDER EDUCATORS

A number of reminder sessions were held in the factories to train a network of educators on this matter, with the aim of producing a radio programme to raise awareness of the subject. The following was specifically carried out:

- Four sessions with 95 voluntary participants (83 women and 12 men) for the purpose of reinforcing the work done in previous years in the area of gender violence.
 - Participative sessions to encourage the involvement of participants and promote awareness and learning.
- At the end of each session, a group of volunteers was put forward to be trained and to act as "peer educators". We expect to be creating the radio programme, to which end 10 participative workshops have been held to raise awareness of gender equality.

c) Empowerment: involving female workers in programmes related to finance, leadership, and empowerment.

<div style="background-color: #f4c48e; padding: 5px; margin-bottom: 10px;">TOGETHER STRONG</div> <ul style="list-style-type: none"> • Factories involved: 2. • Benefited suppliers: 2. • Turkey. • Benefited workers: 418. <div style="background-color: #d9e1f2; padding: 5px; margin-bottom: 10px;">RELATED PIAs</div> <div style="border: 1px dashed #ccc; padding: 5px; margin-bottom: 10px;"> <div style="display: flex; align-items: center;"> <div style="border: 1px solid #ccc; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin-right: 5px;">+</div> Social Protection </div> </div> <div style="background-color: #d9e1f2; padding: 5px; margin-bottom: 10px;">IMPACTED DIMENSIONS:</div> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="display: flex; align-items: center;"> Workplace </div> <div style="display: flex; align-items: center;"> Well-being </div> </div>	<div style="background-color: #f4c48e; padding: 5px; margin-bottom: 10px;">HERFINANCE</div> <ul style="list-style-type: none"> • Factories involved: 7. • Training provided to 14 suppliers, 109 managers, 389 educators • Bangladesh, China, India. • Benefited workers: 12,219. <div style="background-color: #d9e1f2; padding: 5px; margin-bottom: 10px;">RELATED PIAs</div> <div style="border: 1px dashed #ccc; padding: 5px; margin-bottom: 10px;"> <div style="display: flex; align-items: center;"> <div style="border: 1px solid #ccc; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin-right: 5px;"> </div> Living Wages </div> </div> <div style="background-color: #d9e1f2; padding: 5px; margin-bottom: 10px;">IMPACTED DIMENSIONS:</div> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="display: flex; align-items: center;"> Workplace </div> <div style="display: flex; align-items: center;"> Well-being </div> <div style="display: flex; align-items: center;"> Industry </div> </div>
--	---

Since the general purpose of our global strategy is to empower workers in the supply chain, this line of action becomes relevant as it focuses on the empowerment of women in order to ensure that they have the necessary tools to make decisions from an active, solid and sustainable point of view in all aspects affecting their personal and professional lives, with the aim of achieving a fairer community.

Together Strong in Turkey

PROJECT CHARACTERISTICS

DEFINITION OF EMPOWERMENT

IDENTIFICATION OF AREAS OF EMPOWERMENT

WOMEN EMPOWERMENT INDICATORS

PARTICIPATIVE LEARNING APPROACHES AND METHODOLOGIES

Thanks to the experience of the Turkish organisation AÇEV, in 2019 one of their key women empowerment programmes was adapted to the context of textile factories. The main goal of this programme is to empower young women within the workplace. The programme involves 2 factories in the Istanbul area and it includes the following actions:

- Training on skills in the workplace, knowledge and awareness of women's rights.
- Promoting favourable environments that encourage education for all young women.
- Organisation of activities to foster awareness of gender equality, literacy in the workplace and solidarity awareness and collective action.
- Improve the communication skills of women working at the factories with a view to increasing their self-confidence.

IMPACT ON WOMEN	IMPACT ON MEN	IMPACT ON FACTORY MANAGEMENT
<ul style="list-style-type: none"> • Women with an average age of 28 in the factories involved. • Increased self-confidence. • Awareness of gender equality. 	<p>Training on gender equality: discrimination, established male roles, emotions, social prejudice, empathy and gender equality</p>	<p>Positive impact on productivity and a positive working environment in the factories.</p>

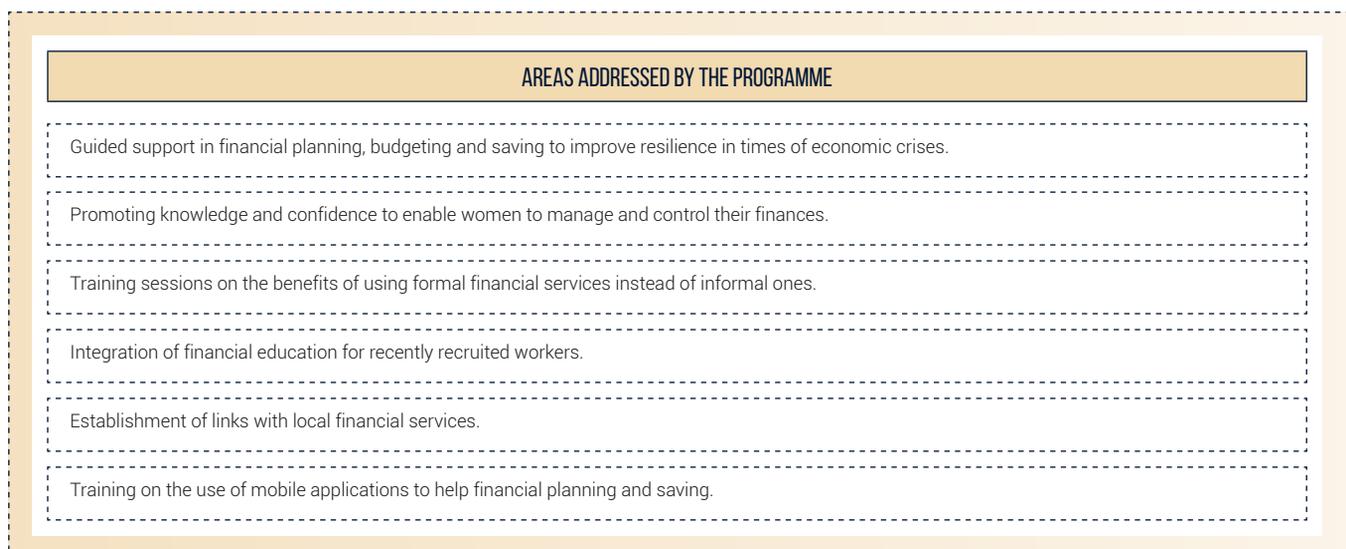
HerFinance

Almost two thousand million people worldwide fail to use formal financial services to save or borrow money, and a lot of women have a lack of access and control over financial resources. As a result of this financial exclusion, the most vulnerable people are unable to escape the vicious circle of poverty.

Within the framework of our collaboration with BSR and its financial empowerment programmes, we have continued with the HerFinance project in three countries in 2020: Bangladesh, China and India. The project in China forms part of the inditeXher programme.

 More information on 2.7.2. *Living wages* of this Annual Report.







In addition to developing our global strategy to strengthen health during the pandemic, we have continued to implement our general occupational health and safety strategy.

2.7.4. 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	2020 KEY INDICATORS	CORE STAKEHOLDER GROUPS	ACTIVITIES	
 	<ul style="list-style-type: none"> Factories involved: 570 Trainings for 207 suppliers and 191 factories. Bangladesh, China, India, Morocco, Pakistan, Portugal, Turkey and Vietnam. Benefited workers: 801,020. 	<p>TDT University / Nanjing University - EHS Academy / Medicus Mundi Sur / Accord, Ready-Made Garment Sustainability Council (RSC)</p>	<ul style="list-style-type: none"> ○ Completed ● In progress ● Not started 	
	<p>STRATEGY</p> <ul style="list-style-type: none"> a) Monitoring compliance with the Code of Conduct and applicable legislation. b) Effective participation of workers in health and safety. c) Implementing workplace health and safety management systems. d) Emergency preparedness and response. 	<p> Workplace</p> <p>To boost working environments where workers feel safe and can lead a healthy professional life.</p>	<p> Well-being</p> <p>To facilitate that the knowledge on health and safety is transferred to their home lives, at the same time promoting healthy lifestyles.</p>	<p> Industry</p> <p>To work with organisations like the RSC (Accord) to achieve sectorial changes in health and safety.</p>

RESPONSE TO COVID-19

- Development a global strategy in response to covid-19 in the supply chain: "Health first".
- Communication on requirements and recommendations from the national authorities of Bangladesh, Cambodia, India, Morocco, Myanmar, Pakistan and Portugal.
- Specific assessments in matters of covid-19 in Bangladesh, India, Morocco, Pakistan, Portugal and Turkey.
- Improvement training and support in Argentina, China, India, Morocco, Turkey and Vietnam.
- Collaboration with stakeholders and organisations like ACT and Accord to provide a response to the health crisis.
- Adaptation of various projects and activities on occupational health and safety to include content on the health crisis.

More information on section 1.1.2. *Protection of workers in the supply chain* of this Annual Report.

At Inditex we are firmly committed to ensuring the health and safety of the workers in our supply chain. In this regard, throughout the year the health crisis has accounted for a large share of our work in this area. From the onset of the crisis, we developed a 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. Through this strategy we have managed to reach over 1.5 million workers in our supply chain.

More information on section 1.1.2. *Protection of workers in the supply chain* of this Annual Report.

In addition, during this year we have continued with our general occupational health and safety strategy for the supply chain, adapting our initiatives and projects to the various contexts and phases of the pandemic, as well as maintaining the principal lines of action that have been under way since the start of the strategic plan.

Our occupational health and safety experts in the main production countries have helped to implement this strategic plan, supporting our suppliers and manufacturers in handling the challenges posed in this area and working with a number of organisations and stakeholders to increase the positive impact of our actions on the workers in our supply chain.

a) Monitoring compliance with the Code of Conduct and applicable legislation

ASSESSMENT, CONTINUOUS IMPROVEMENT AND TRAINING IN HEALTH AND SAFETY

- Suppliers involved: 9.
- Factories audited: 2.
- Morocco.
- Benefited workers: 3,539.

- Factories involved: 4.
- Training 76 suppliers and factories.
- China.
- Benefited workers: 14,807.

IMPACTED DIMENSIONS:

Workplace

STRUCTURAL, FIRE PREVENTION AND ELECTRICAL ASSESSMENT

- Assessments of 65 finished garment suppliers and factories.
- Assessments of 4 footwear suppliers and factories.
- Assessments of 5 label suppliers and factories.
- Bangladesh.
- Benefited workers: 142,026.

IMPACTED DIMENSIONS:

Workplace

MONITORING COMPLIANCE WITH THE ACCORD/ RSC CORRECTIVE ACTIONS PLANS

- 113 visits to 43 suppliers and 18 factories.
- Bangladesh.
- Benefited workers: 157,059.

RELATED PIAs

Workers participation

IMPACTED DIMENSIONS:

Workplace

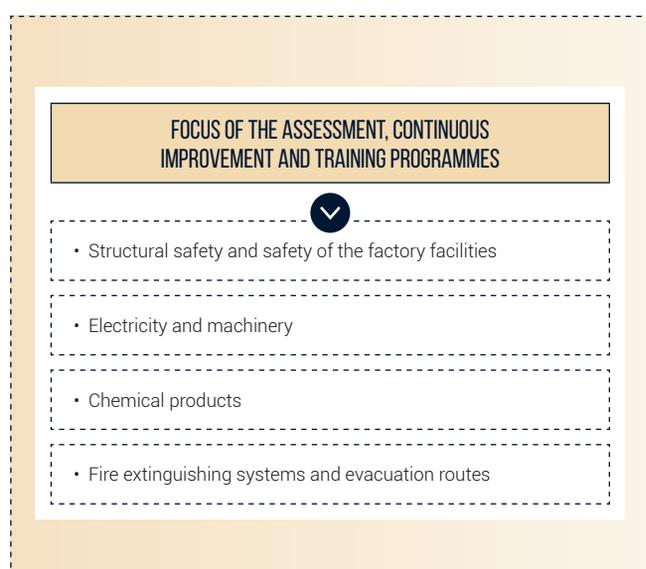
Industry



One of the points included in the Code of Conduct for Manufacturers and Suppliers is related to health and safety in the factories. Through our work in this PIA we have managed to complement and expand the work of the compliance programme.

Assessment, continuous improvement and training

A programme of assessment, continuous improvement and training was begun in Morocco in 2015. This was subsequently renewed in 2018 in order to encourage compliance by the factories, on the basis of the data gathered from social audits.

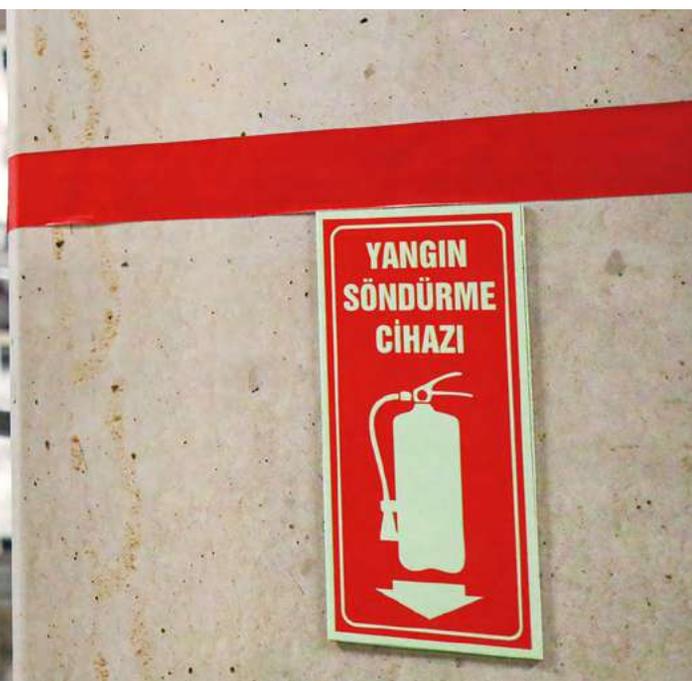


After assessment, the results and necessary measures are explained to the suppliers and corrective action plans are put in place, monitored by our local team. Once the plan has been completed, the next audit serves to verify whether the corrective actions have had a positive impact on the level of compliance. In 2020, corrective plans have been carried out in nine factories, benefiting 3,539 workers.

In China we are developing a project that started in 2019 to provide training on safety for small and medium sized enterprises in collaboration with the Nanjing University EHS Academy. In 2020, assessments have been carried out on four of the factories with 1,720 workers, in order to analyse compliance levels in matters of fire prevention, electricity and machinery, as well as the safe handling of chemicals, leading to new corrective action plans for improvement. In addition, and in line with the health crisis, this year our internal team has provided training to 76 factories, benefiting 14,331 workers on hygiene at the workplace.

Structural, fire prevention and electrical assessment

In an effort to strengthen compliance with our requirements in terms of structural safety, fire prevention and electricity installations in Bangladesh, new suppliers and manufacturers are subject to a specific assessment of these aspects. In 2020 we have carried out 74 inspections of prospective suppliers, including factories producing labels and footwear.



Monitoring compliance of Accord/ RSC corrective action plans

In 2020 the Accord of Bangladesh transferred its operations in the country to the RMG Sustainability Council (RSC), although its protocols and activities were

kept in line with those of previous years. Thus, during the year our engineers verified and monitored the progress of 43 suppliers and 18 factories listed in the RSC through 113 visits and implementation of the corrective plans required by the RSC in matters of structural safety, fire and electrical prevention.



RMG Sustainability Council (RSC) takes over operations of the Accord in Bangladesh

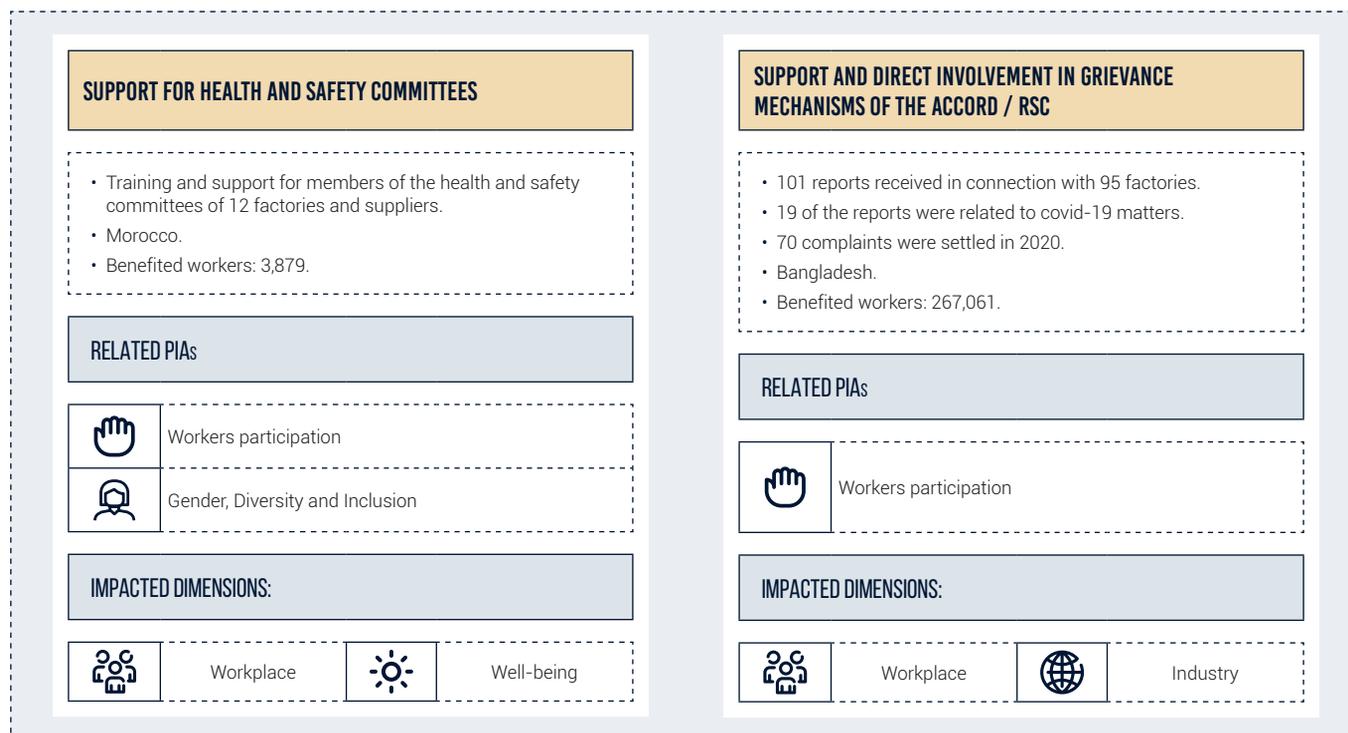
Since the renewal in 2018 of the Bangladesh Accord on Fire and Building Safety, the transfer of its functions to a body with national representations was one of the goals on the roadmap. In 2020, the Ready-Made Garments Sustainability Council (RSC), an organisation with an equitable representation of brands, trade unions and employers in its management board, took over the Accord in Bangladesh functions. Undertaking to continue with the protocols, procedures and regulations, as well as with the entire workforce of the Accord in Bangladesh, the RSC

began its activity on 1 June 2020. This body continues with the programmes of inspection and remediation in factories on matters of building safety, grievance and complaints procedures and training for health and safety committees.

At Inditex we have participated in this transfer of functions, so as to ensure the continuity of the Accord programmes, providing support to the RSC both in terms of representation in the management board and at operational level, by implementing the programmes in our supply chain.

“ We promote the participation of workers in occupational health and safety too.

b) Effective participation of workers in health and safety



Support for the Health and Safety Committees

As has already been described in the Worker Participation PIA, the empowerment of workers and their acquisition of collective bargaining and social dialogue skills are crucial aspects for Inditex. In this regard, the work aims to generate all mechanisms necessary to ensure that the workers in the supply chain are represented when making decisions on matters of health and safety.

In this regard, we have a project in Morocco in collaboration with Medicus Mundi Sur and AMSAT (*Association Marocaine de la Santé au Travail*), that aims to provide training and support to health and safety committees in the factories to best achieve their objectives. The purpose of these training and support actions is to reinforce the competencies and performance of the committees, through greater

knowledge of the legislative framework, the role of the committee, the function of the occupational physician and the professional risks in the industry. In 2020, training and support has been provided to the Health and Safety Committees of 12 factories and suppliers, affecting 3,879 workers.

Support and direct involvement in grievance mechanisms of the Accord / RSC

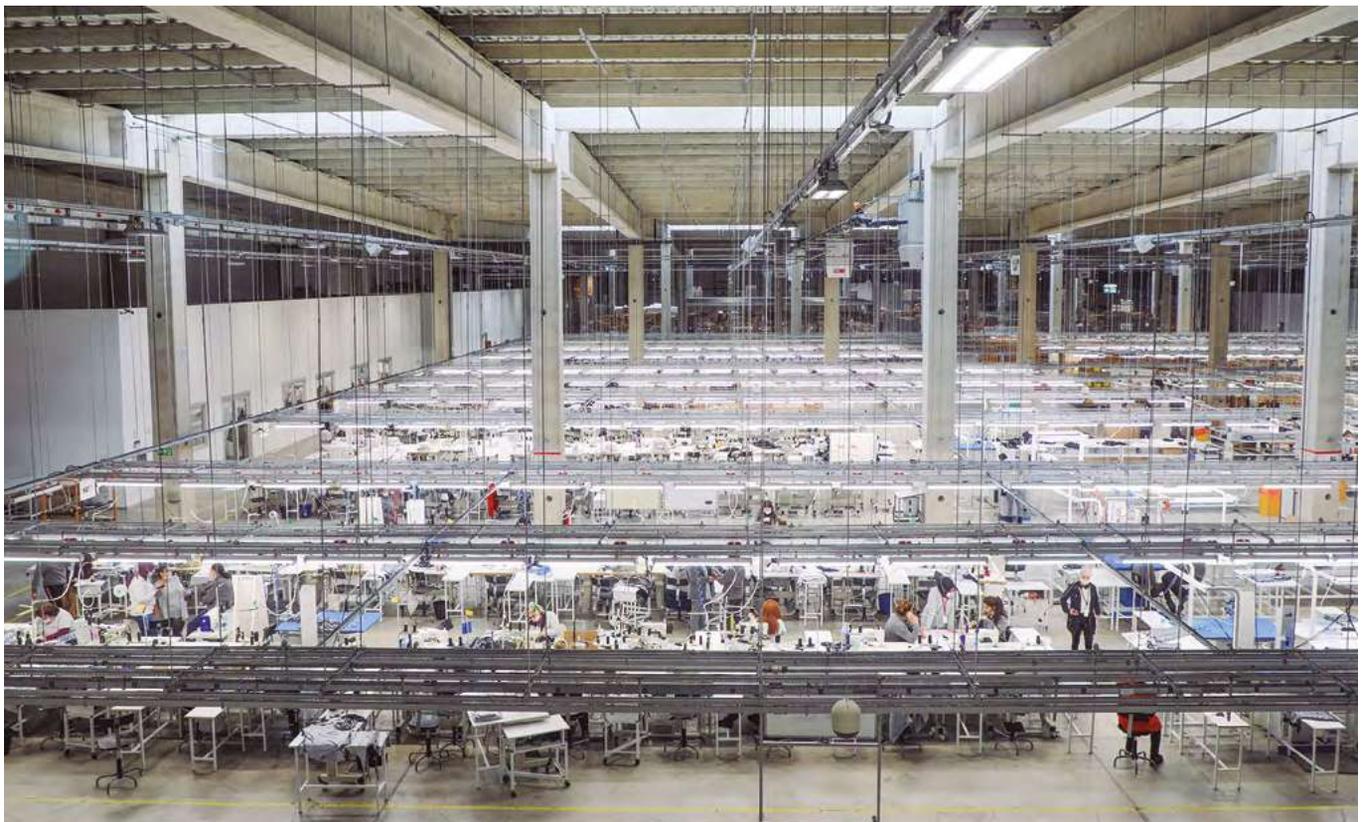
As part of the protocols and working plans inherited from the Accord in Bangladesh, the RSC has continued with the grievance mechanisms. In this regard, our team has been providing support and has been involved in the resolution of 101 of the communications received, 70 of which have been settled, while the remainder were still being addressed at the end of the financial year.

c) Implementing workplace health and safety management systems

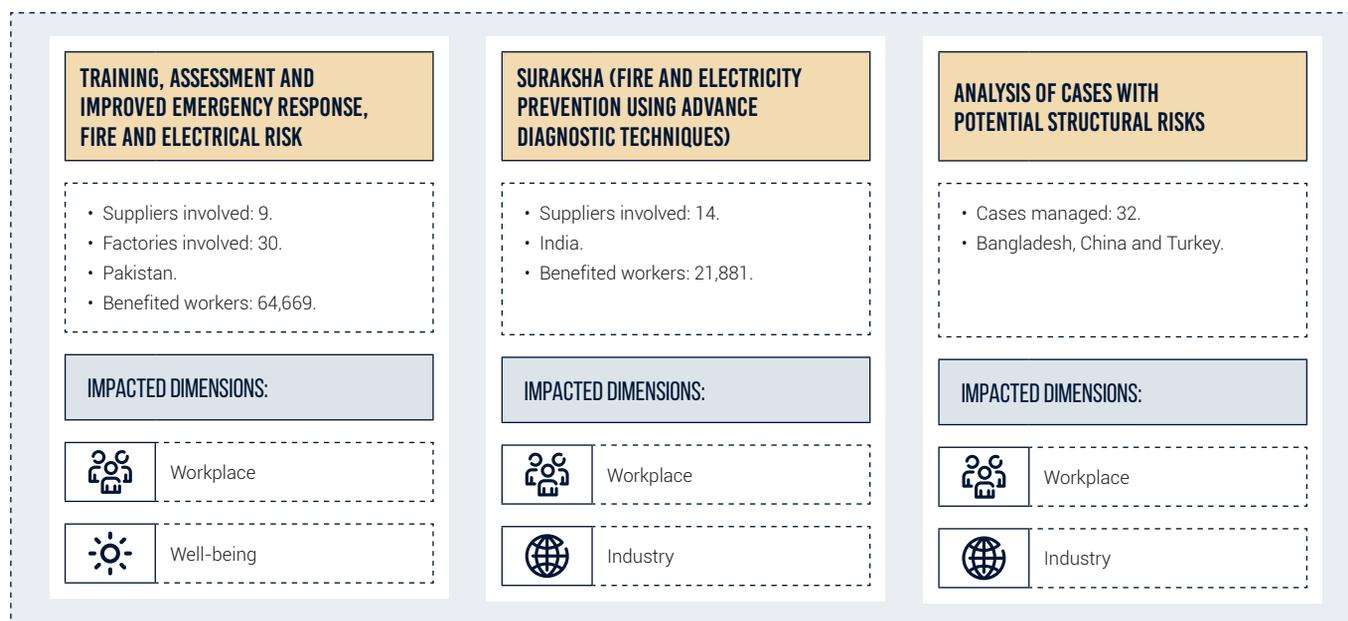
8,976 workers. The project has been structured into three phases, using the national legislation and international standards like the ISO 45001 as a reference. The first two phases were completed in 2020, whereas the third shall begin in 2021.



The establishment and improvement of management systems at our suppliers and manufacturers must be based on the management's firm commitment and the definition of roles, responsibilities, procedures and indicators. In 2020 we have begun a project with 14 factories in Vietnam, in collaboration with the TDT University, with an impact on



d) Emergency preparedness and response



This line of action has undoubtedly been reinforced during 2020 in the face of covid-19, highlighting the need to have the tools and mechanisms required to be able to provide a proactive and efficient response to any emergency situation. Our internal sustainability teams have provided continuous support to suppliers and manufacturers in our supply chain, both in the development of the measures required to deal with the pandemic, and to adapt the needs posed by the new reality in terms of worker protection.

Training, assessment and better response to emergencies, fire and electrical risks

In Pakistan we have continued with our programme of training, assessment and improved response to emergencies posed by risk of fire and electricity in 9 suppliers, having benefited 64,669 workers. Through the evaluations and monitoring of our internal team, which has carried out 22 visits, the factories in the project managed to improve their facilities in terms of fire and electricity risk prevention, by installing fire doors, proper fire hydrants and emergency generators, among other safety measures. The plans for improvement are currently at the implementation phase and will be completed in 2021.

Suraksha (fire and electricity safety using advanced diagnostic techniques)

Electrical safety is an especially relevant factor not only with regard to reducing the risks of electrocution in the workplace, but it also plays a vital role in fire prevention. In this regard, in 2020 we have started a project to assess and improve fire and electrical safety in India, in 14 factories employing 21,881 workers. The project includes an assessment of the facilities in the factories in order to carry out a detailed analysis of the electrical and fire prevention systems in our supply chain, using techniques such as thermographic studies, to eventually define actions for improvement. In 2021 we shall continue to work with our suppliers in order to complete the improvement plan currently at the implementation phase.

Analysis of cases of potential structural risk

Our internal teams specialised in the matter continue to work on identification of these risks through visits to the sites, audits and compliance monitoring of other aspects, with the aim of assessing and, if necessary, preventing and mitigating potential cases of structural risk in countries like Turkey, Bangladesh and China. 32 cases have been assessed in 2020.

2.7.5. 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	2020 KEY INDICATORS	CORE STAKEHOLDER GROUPS	ACTIVITIES	
 	<ul style="list-style-type: none"> Factories involved: 22. Turkey and India. Benefited workers: 7,758. People benefited in the community: 26,826 	<i>International Labour Organisation, Refugee Support Centre (MUDEM), United Work (UW), Society for Awareness, Voluntary Action (SAVE)</i>		
STRATEGY <ul style="list-style-type: none"> a) Remediation plans for refugees and migrants. b) Fair employment and recruitment practices for migrants and refugees. c) Reinforcing social and workplace cohesion. 		IMPACT ON DIMENSIONS		
		<p>Workplace</p> <p>Ensure decent working conditions for migrant and refugee workers in our supply chain.</p>	<p>Well-being</p> <p>Support migrant and refugee workers and their families with a better integration perspective.</p>	<p>Industry</p> <p>Work with specialised organisations in the field to strengthen sectorial cohesion.</p>

RESPONSE TO COVID-19

- Adaptation of the strategy and lines of action taking into consideration the fact that migrant and refugee workers are a vulnerable community.
- Adaptation of projects by developing online training and providing the workers with the necessary material and infrastructure.
- Inclusion of covid-19 topics in the training sessions.
- Expansion of the Sowbhagyam project scope by providing capacity building sessions to factory management.

More information on section 1.1.2. *Protection of workers in the supply chain* of this Annual Report.

Migrant and refugee workers are one of the most vulnerable groups within the supply chains of the garment industry. The need to find a means of subsistence can occasionally lead to a high risk of forced labour, human trafficking and situations of discrimination. Inditex has zero tolerance for any of the aforementioned situations on the basis of the ILO Convention 29 definition, and also rejects any policy of exploitation in its supply chain as we have defined in our Code of Conduct for Manufacturers and Suppliers.

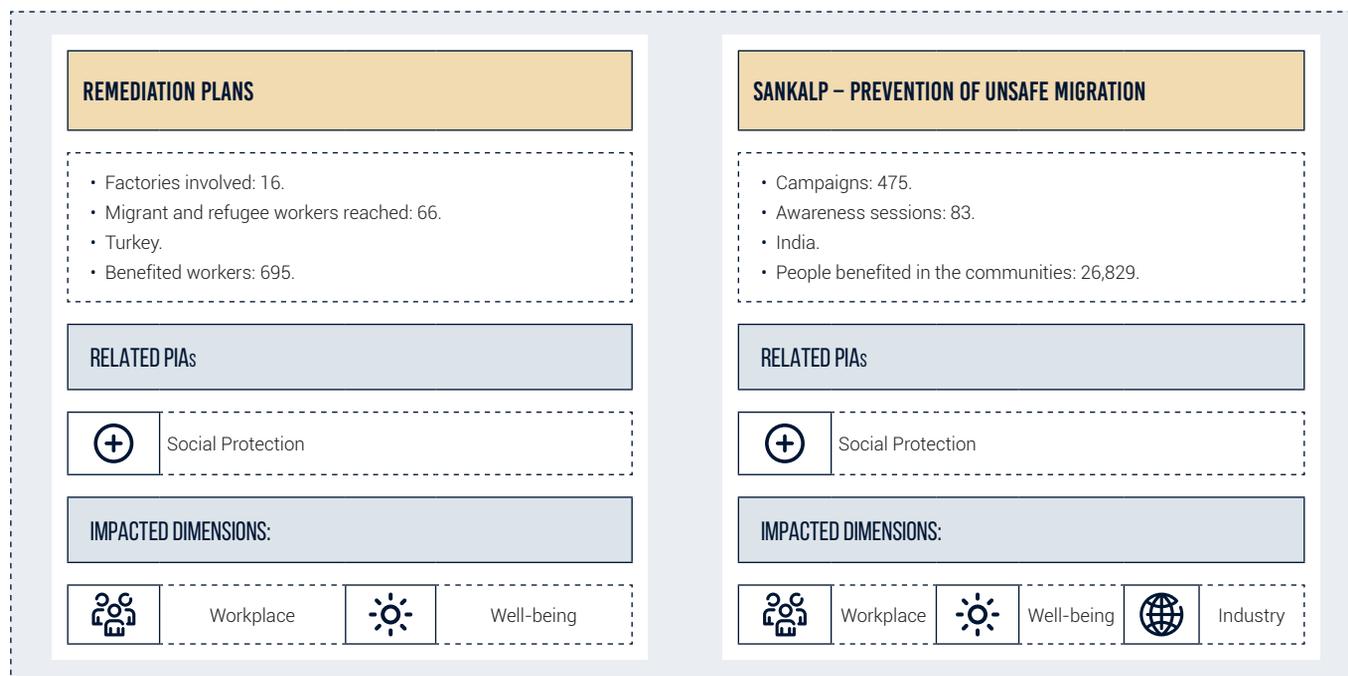
In line with our strategy, Inditex provides special protection to migrants and refugees, specifically in countries like Turkey where conflicts in neighbouring countries generate highly vulnerable situations. In this regard, we perform

detailed analyses in order to identify the existence of migrant workers in our supply chain, seeking to assess their working status with a view to generating programmes and initiatives that support our strategy of providing protection and having a positive impact in the labour and living conditions of these workers.

Our work in this area thus continues with the aim of ensuring the promotion of human rights of migrant and refugee workers, as well as the development of mitigation and remediation plans if required to ensure decent conditions and a sustainable working environment.

“Inditex provides special protection to migrants and refugees given their special vulnerability.”

a) Remediation plans for refugees and migrants



Remediation plans

In the event of detecting any violation of human rights of the workers in our supply chain, at Inditex we put our remediation plans into operation. For instance, Inditex has been collaborating since 2015 with the Turkish NGO *MUDEM Refugee Support Centre* in order to establish appropriate remediation plans adapted to each of the situations identified by our sustainability teams in the field via social audits and other compliance and assessment visits.

Assessments are performed to identify the needs and working conditions of these workers, even if they have been legally recruited.



During 2020, despite the difficulties of performing actual physical follow-up visits, we have been in permanent contact with MUDEM, which has continued to carry out its work remotely, either through online interviews or through the necessary communications with the workers, having reached 66 workers in 16 factories.

Sankalp Project – Prevention of unsafe migration in India

We are involved in the *Sankalp* Project in India in collaboration with the local NGO Pratham for the purpose of preventing unsafe migration and human trafficking. During the health crisis, thousands of people who had previously migrated to the cities, were forced to return to their home towns in rural areas.

We have therefore been working to have a positive impact through constant intervention and involvement of governments and other authorities to ensure that those most in need are benefited through raising community awareness. We have thus benefited 26,829 people thanks to 475 campaigns and assistance points in the main entry and exit points of the regions, allowing the identification of workers belonging to vulnerable communities. Moreover, 83 awareness sessions have been organised in the communities to raise awareness of families on the importance of safe migration and the importance of educating children.

b) Fair employment and recruitment practices for migrants and refugees

SOWBHAGYAM 2

- Factories involved: 4.
- Workers trained: 27.
- India.
- Workers impacted: 6,856.

RELATED PIAs

	Gender, Diversity and Inclusion
	Social Protection

IMPACTED DIMENSIONS:

		
Workplace	Well-being	Industry

The development of fair recruitment practices for the workers in our supply chain is key for their subsequent professional and personal development.

Sowbhagyam 2 programme

The goal of the *Sowbhagyam 2* Program is to raise awareness of the management of our suppliers in India of the need to develop fair recruitment and employment practices with a special focus on migrant and refugee workers in light of their vulnerability. The programme, which started this year, has been implemented in 4 spinning mills in the area of Tamil Nadu with 2 training sessions provided to 27 managers on fair recruitment, care and protection of young and migrant workers and payment of wages. The aim is to provide sufficient knowledge on fair employment practices adapted to local legislation and the demands of the industry.

WHAT DO THE TRAINING SESSIONS INCLUDE?

WORKSHOP TO RAISE MANAGEMENT AWARENESS

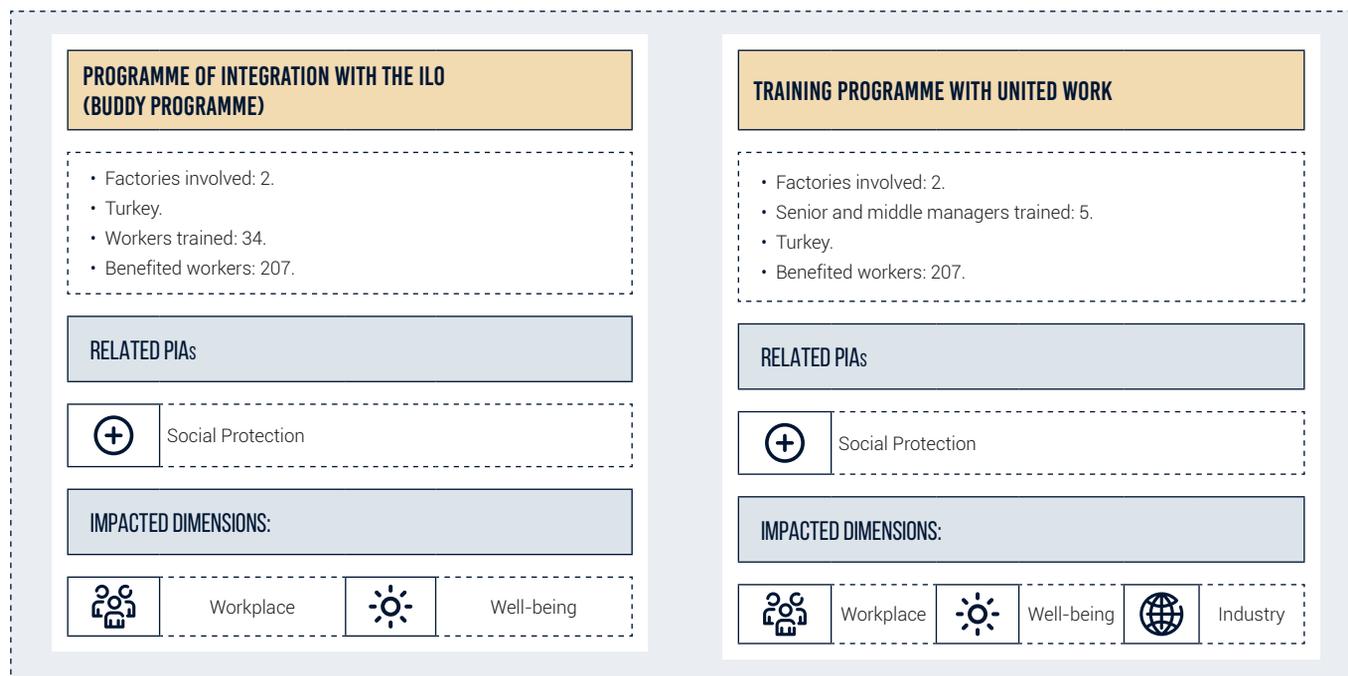
ORIENTATION FOR WORKERS' COMMITTEES

TRAINING AND CERTIFICATION OF RECRUITERS

Activities focused on fair recruitment, protection of young workers and migrants. The aim is to provide knowledge and to seek for a change in senior and middle management with respect of these practices.

In 2021 we expect to be providing orientation for workers and Work Council management representatives on fair employment practices, including topics such as workers' rights and responsibilities, with a special focus on local legislation. Depending on the impact and effectiveness of these sessions, we expect to extend it to more spinning mills in India, after having performed compliance analysis thereof.

c) Reinforcing social and workplace cohesion



Within the lines of action carried out in the migrant priority impact area, we always endeavour to achieve social and labour cohesion among the workers in the factories. In this regard, we develop projects designed to encourage the well-being of all workers, both in their working environments and in the communities in which they live.

ILO integration programme (Buddy Programme)

We are carrying out an integration project in conjunction with the International Labour Organisation that aims to encourage a peaceful and emotionally healthy working environment in factories with cultural and communication differences due to the existence of Syrian and Turkish workers. We have established Turkish mentors who support the removal of such barriers and prejudices, as well as generate a positive environment among the workers.



In 2020 the training to 34 Turkish and Syrian workers in two factories has been provided with the support of the ILO which has provided the technological material required in the factories to help them train their workers.

Training programme with United Work

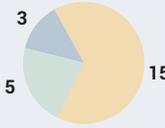
During 2020 we have also continued to collaborate with United Work (UW) organisation in integration training programmes that we began in 2018 with Syrian workers and senior management in the factories with which we work.



Due to the health crisis, these sessions have been provided remotely, having trained 5 senior and middle managers in two factories with the aim of getting them to integrate what they have learned into their management systems.

2.7.6. Social Protection

ENABLING THE WELL-BEING OF WORKERS IN THE SUPPLY CHAIN

RELATED SDGS	2020 KEY INDICATORS	CORE STAKEHOLDER GROUPS	ACTIVITIES
   	<ul style="list-style-type: none"> Factories involved: 20. Trainings for 4 suppliers and 4 factories. China, India, Turkey and Vietnam. Benefited workers: 22,663. 	<p>CSR CCR / International Labour Organization / Association for the Support of Contemporary Living / Cagdas Yasami Destekleme Dernegi Istanbul / Bilgi University / Pratham</p>	 <ul style="list-style-type: none"> Completed In progress Not started
	<p>STRATEGY</p> <ul style="list-style-type: none"> a) Access to social protection and social benefits. b) Alleviating poverty and preventing school drop-out. c) Promoting health and personal well-being d) Facilitating access to adequate nutrition and drinking water. 	<p> Workplace</p> <p>Monitor and assess social security systems in the factories.</p>	<p>IMPACT ON DIMENSIONS</p> <ul style="list-style-type: none">  Well-being Collaborate with communities to promote social benefits.  Industry Work with stakeholders to ensure that the governments of the countries where we operate develop proper protection systems.

RESPONSE TO COVID-19
<ul style="list-style-type: none"> Support of the Covid-19: Action in the Global Garment Industry with the goal of backing the establishment of public social protection systems for a more resilient garment industry. Collaboration with financial institutions in the development of programmes to provide financial solutions to help mitigate the impact of the pandemic on our suppliers. Collaboration with our stakeholders on a global and national level to promote social dialogue on matters of social protection. <p> More information on section 1.1.2. Protection of workers in the supply chain of this Annual Report.</p>

Social protection enables societies to increase their resilience in the face of any adversity that might affect their workers and employers, thus becoming an element of support for the industry in the various markets. Governments, national employers' and workers' representative bodies play a key role in terms of articulating social protection mechanisms to ensure that the users enjoy services related to unemployment, health or other relevant systems.

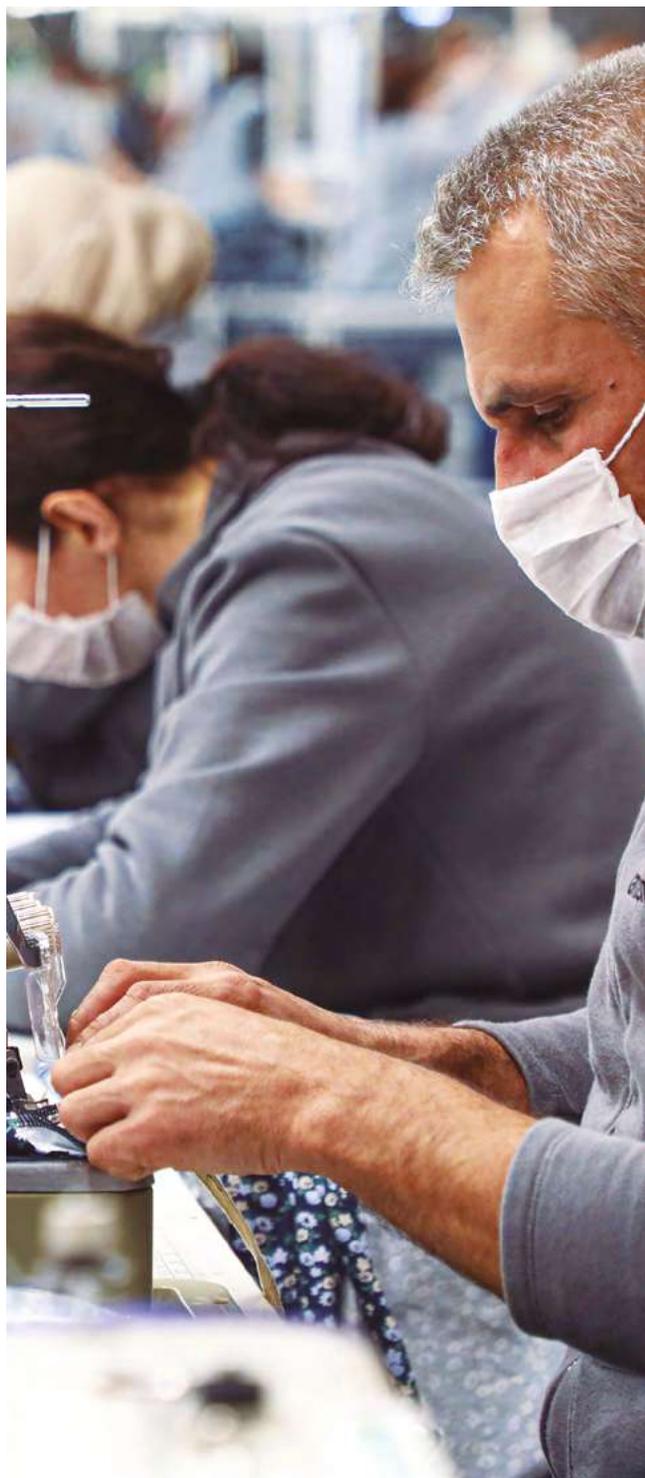
The backbone of the social protection strategy at Inditex is collaborating with stakeholders at an industry and national level, in an effort to establish mechanisms that bring about sustainable development and promote tripartite social dialogue at a national level. It also seeks to support local initiatives focused on the workers and their communities.



Support of the Covid-19: Action in the Global Garment Industry with the goal of backing the establishment of public social protection systems for a more resilient garment industry.

a) Access to social protection and social benefits

COVID-19: ACTION IN THE GLOBAL GARMENT INDUSTRY					
• Support for initiative and participation in task force.					
RELATED PIAs					
	Workers participation				
	Living Wages				
	Gender, Diversity and Inclusion				
	Occupational Health and Safety				
	Protection of Migrants				
IMPACTED DIMENSIONS:					
	Workplace		Well-being		Industry



The expansion of national public social protection systems enables workers to be protected in countries with weaker health and social protection systems. In this regard, the strategy of Inditex with respect to access to social protection and benefits seeks to promote social dialogue at a global and sectorial level with the main stakeholders, in order to design initiatives that assist the players responsible for their design and implementation at a national level (governments, employers' and workers' representatives).



Initiative: Covid-19: Action in the Global Garment Industry

In 2020, as a response to the impact of the global pandemic on the world supply chain of the garment industry (particularly for workers and employers), the final text of this pioneering initiative was agreed between the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union with the technical support provided by the International Labour Organisation (ILO) to all parties during the process, acting as the neutral convening party.

It is based on identifying priority areas and commitments that have the support of the main stakeholders in the sector to encourage the mobilisation of resources from international financial institutions and donors with a view to contributing to sustainable social protection systems.

- Inditex played a proactive role in the creation of this call to action and, after its formal adherence, it has assumed, along with another brand, the representation of these in the International Task Force created to achieve these commitments. This group was organised by the ILO and coordinated by the IOE and the ITUC, which includes brands and manufacturers, workers' and employers' organisations and governments.

- Through a number of criteria that took into consideration factors like the level of market dependency of the garment industry regarding jobs and exports or the level of social protection, the International Task Force identified a number of initial priority action markets, including: Bangladesh, Cambodia, Ethiopia, Haiti, India, Indonesia, Myanmar and Pakistan.
- The importance of social dialogue at a national level is viewed as a central factor in the improvement of social protection mechanisms in the various priority markets within the scope of the call to action. For this reason, under the umbrella of the International Labour Organisation, a number of national platforms have been created to work with the relevant government departments, international financial institutions and donors. These platforms are formed by the main local stakeholders, including international brands with a presence in each identified priority market.

This call to action with presence of the main stakeholders of the industry has highlighted the necessary collaboration within the sector to promote key initiatives that can have an impact in the short term, but also in the long term, to make a more resilient garment industry where, as is the case with the social sustainability strategy of Inditex, the workers are at the centre.

“ Within the framework of our social protection strategy, we develop programmes and initiatives designed to prevent school dropout.

b) Alleviating poverty and preventing school drop-out

<p>MPT “ENDING LONG-DISTANCE PARENTING FOR WORKING PARENTS”</p> <ul style="list-style-type: none"> • Factories involved: 4. • Workers trained: 183. • China. • Benefited workers: 1,094. <p>RELATED PIAs</p> <p> Protection of Migrants</p> <p>IMPACTED DIMENSIONS:</p> <p> Workplace  Well-being</p>	<p>SCHOOL DROPOUT PREVENTION</p> <ul style="list-style-type: none"> • Teachers who received the guides: 20. • Social services personnel who received the guides: 35. • Online training attendees: 245. • Turkey. <p>IMPACTED DIMENSIONS:</p> <p> Well-being  Industry</p>
---	---

Inditex is aligned in the development of action plans in pursuit of SDG number 1 (no poverty) as this is the root cause of much of the inequalities in our society.

MPT: Ending long-Distance Parenting for Working Parents

This project, implemented in China, includes a number of tools to support working mothers and fathers working away from their children in their remote parenting tasks. Technology is used for interaction and contact. During 2020, 4 factories in our supply chain in China received training on the issues, as well as before and after polls to ascertain changes in knowledge of the participants and obtain feedback on the project.

- Increase the frequency of communication between migrant parents and their children.
- Create stronger relationships.
- Reduce concerns and stress due to distance.
- Increase personal and professional motivation and satisfaction.
- Increase trust in management.
- Improve the mental health of families.

 **COMPLEMENTED BY THE USE OF SMARTWATCH TECHNOLOGY**

Prevention of school dropout

We carry out remediation plans to prevent potential cases of employment of underage workers. As part of the established procedure, suppliers must be responsible for the education of the affected person until the legal working age, as well as provide work to another family member or pay the equivalent wage of the worker to ensure that the family income is not reduced. This procedure is carried out by organisations specialised in this matter, such as the Association for the Support of Contemporary Living (CYDD) in Turkey.

Since 2018 we have been also working with Istanbul Bilgi University to gain an understanding of the underage work in Turkey, gathering knowledge on the subject and strengthening the capacities at a local level and developing the communication with local authorities and other stakeholders.

In 2020, 153 teachers and 35 social workers received information on the guides developed on the subject in collaboration with the University.

	ACTIVITIES CARRIED OUT IN 2020
---	---------------------------------------

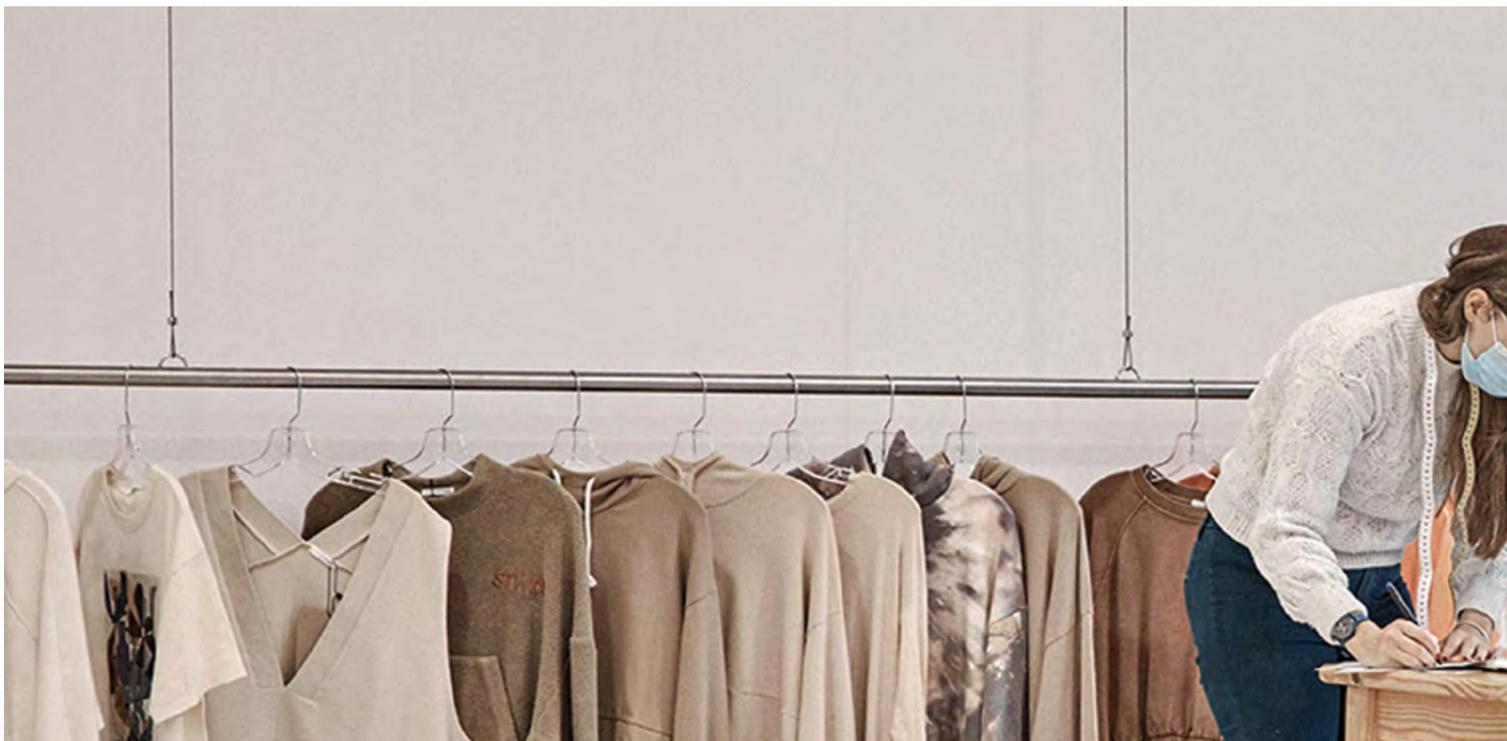
- Launch of website www.cocukisciligineson.bilgi.edu.tr where project materials are produced.
- Sessions organised by the university with the participation of some 300 people.
- Distribution of the guide for teachers to fight underage work and develop inclusive school environments, developed in 2019.

	GOALS
---	--------------

- To understand the main problems that cause school dropout.
- To raise the awareness of communities of the right to education.
- Training sessions for teachers in order to promote inclusive environments that avoid potential cases of underage work.
- To influence governments to provide access to education and develop school dropout prevention models.

Finally, and in conjunction with the Priority Impact Area of Migrant and Refugee Protection, we developed the Sankalp project in India in cooperation with the Pratham organisation, aiming to prevent unsafe migration and human trafficking.

 More information on section 2.7.5. *Protection of migrants and refugees* of this Annual Report.



c) Promoting health and personal well-being

HAPPINESS FOR ALL PROJECT

- Factories involved: 5.
- Training sessions: 6.
- India.
- Benefited workers: 10,050.

RELATED PIAs

♥ Occupational Health and Safety

IMPACTED DIMENSIONS:

🏢
Workplace

☀️
Well-being

🌐
Industry

The well-being of workers is vital for their personal, professional and emotional development. For this reason, we complement the rest of our social protection strategy with projects such as *Happiness for All* that seeks to help

achieve SDG 3: Ensure healthy lives and promote well-being for all at all ages.

This project began with the aim of creating a pathway to promote worker well-being, by establishing a culture of well-being that is not only limited to the workplace, but including the families in the process.

The project is carried out in collaboration with the organisation Swasti in an industrial region of India with a particularly high job turnover rate.

The idea is to work together as an industry in order to be able to exert a global influence, enabling workers to benefit from the same services regardless of the factory where they work. This gradual approach will enable the various suppliers located in the same region to join the project with the support and training provided by the "Happiness Centres". The goal is a single vision where workers have access to well-being services such as social protection, pension plans and unemployment benefits, among others.

A number of virtual awareness raising sessions have been organised by our partner implementing social protection and social benefit schemes, in an attempt to develop the ability of factory representatives (including nurses) to provide primary healthcare.

In 2020, the project has been implemented in 5 factories in India with 10,050 workers, via 6 training sessions.



d) Facilitating access to adequate nutrition and drinking water

MOTHERS AT THE WORKPLACE: SPACES AT WORK TO PROMOTE BREASTFEEDING

- Factories involved: 11.
- Training sessions: 2.
- Myanmar and Vietnam.
- Benefited workers: 11,519.

RELATED PIAs

	Gender, Diversity and Inclusion
	Occupational Health and Safety

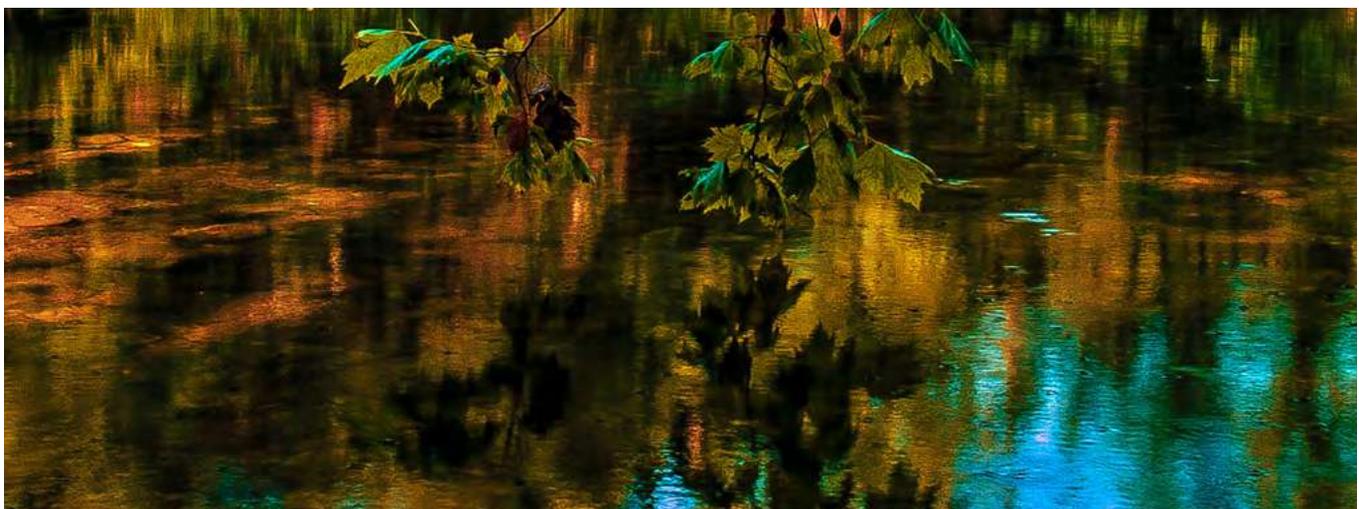
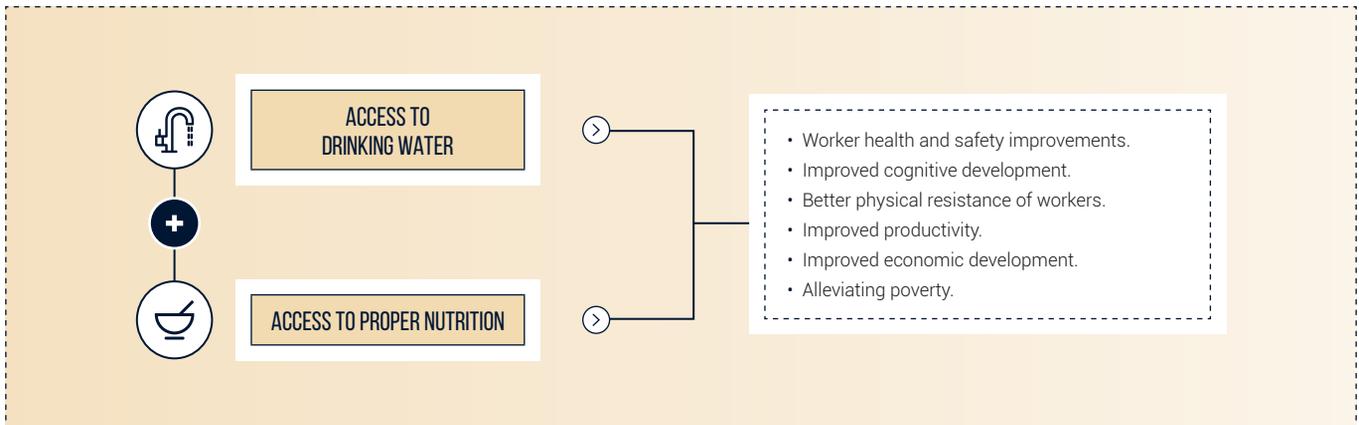
IMPACTED DIMENSIONS:

	Workplace		Well-being
--	-----------	--	------------

The 2030 Agenda for sustainable development includes ending hunger, achieving food safety, improved nutrition and promoting sustainable agriculture (SDG 2) and ensure the availability and sustainable management of water and sanitation to all (SDG 6).

At Inditex we believe that we must implement actions that impact local communities, which is why in 2020 we have begun an analysis of all initiatives that could help us achieve these two SDGs, bearing in mind the impact thereof on the communities related to the production activities in the markets in which we operate.

In 2020 we have been in communication with 11 factories of our supply chain in Myanmar and Vietnam and with organisations specialised in specific programmes in this area, including activities related to disease prevention, drinking water purification system development and breastfeeding. Progress will be made in 2021 on the implementation of the programmes.





Since 2017, we have a Public-Private Partnership with the ILO to strengthen fundamental labour rights of the workers involved in cotton production.

2.7.7. 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	2020 KEY INDICATORS	CORE STAKEHOLDER GROUPS	ACTIVITIES		
 	<ul style="list-style-type: none"> China, India, Turkey, Pakistan and Mali. 922,656 direct and indirect beneficiaries in the cotton producing communities. 2,407 beneficiaries in the leather supply chain. 	<p>International Labour Organization (ILO) / Tata Institute of Social Sciences / Action for Social Advancement (ASA) / IPUD (Good cotton practices association)</p>			
	<p>STRATEGY</p> <ul style="list-style-type: none"> a) Promoting the well-being of workers in the supply chain of raw materials. b) Raising the responsibility on sustainability of all the players in the supply chain c) Creating best practices and recommendations for the raw material supply chain. 	<p> Workplace</p> <p>Identify and involve workers in the supply chain of raw materials.</p>	<p>IMPACT ON DIMENSIONS</p> <ul style="list-style-type: none"> Well-being Improve living and working conditions of the communities and workers of the fields from which we supply. Industry Establish partnerships with international organisations like the ILO. 		

RESPONSE TO COVID-19

- We encouraged the use of the raw materials held by manufacturers for productions under favourable conditions to our suppliers.
- Adaptation of our activities and stakeholder relationships to the context arising from the pandemic.



More information on section 1.1.2. Protection of workers in the supply chain of this Annual Report.

The production of raw materials has different particularities depending on the type of raw material. Due to its complexity, special attention has to be paid to this part of the supply chain.

Millions of workers are employed in the production of raw materials, from those working in the factories, to those

in the field in the case of cotton, or in the communities in which they take place. With a commitment to respect and promote human and labour rights of these workers, since 2019 this PIA has taken a holistic approach in order to improve traceability and develop a continuous system of due diligence via collaborations and consultations with relevant stakeholders in the area.



In 2017 Inditex signed a Public-Private Partnership with the ILO to strengthen fundamental labour rights of the workers involved in cotton productions. This collaborative effort is a fundamental tool to develop the various lines of action of this PIA.

a) Promoting the well-being of workers in the supply chain of raw materials





FARMS AND FARMERS AT THE CENTRE

- 18 discussion groups on working conditions in the cotton sector.
- India.
- Cotton producers benefited: 400.

RELATED PIAs



Living Wages

IMPACTED DIMENSIONS:



Well-being



Industry

DUE DILIGENCE IN THE LEATHER SUPPLY CHAIN

- Information sessions for management: 41.
- India.
- Benefited workers: 2,407.

RELATED PIAs



Workers participation



Living Wages



Gender, Diversity and Inclusion



Occupational Health and Safety



Protection of Migrants



Social Protection

IMPACTED DIMENSIONS:



Workplace



Well-being

Within the framework of our collaboration with the ILO, work has been done in both raising awareness and training cotton workers in China, India, Pakistan and Mali, as well as developing studies to get a better grasp of the reality of the working conditions in the industry in each country, involving relevant stakeholders.

MAIN PROMOTION ACTIVITIES WITHIN THE FRAMEWORK OF COLLABORATION WITH THE ILO

CHINA

- On 18 September 2018, a meeting was held in Beijing to promote the ILO Multinational Enterprises Declaration and the Declaration on the Fundamental Rights and Principles at work as key instruments to promote decent work in supply chains worldwide. 45 organisations took part in the event, as representatives of MOHRSS (government agency), ACFTU (workers' organisation), CEC (employers' organisation), ILO, Inditex and other companies, industry associations, international organisations and national experts.
- Launch of the project website in Chinese and translation into Chinese of support materials.
- Creation on the ILO website of a helpdesk in Chinese for enterprises.
- Development of a mapping methodology for the provinces of Hebei, Shandong, Anhui and Hubei.

PAKISTAN

- Awareness campaigns on the fundamental labour rights and principles, particularly in the more vulnerable cotton producing communities, with 944 direct beneficiaries and 5,000 indirect beneficiaries in the communities.
- Design of informative material on labour rights.
- Distribution of 11,700 posters in various communities related to cotton production.

INDIA

- The first mapping of the cotton supply chain has been developed in the region of Telangana with the purpose of identifying the main stakeholders with the assistance of the *Institute for Human Development* (IHD) and the collaboration of the State, local authorities, field workers and their representatives, among others. The goals of the study are:
 - To understand the complexity of the activities and relationships in the cotton network and analyse the opportunities and challenges in the industry.
 - To analyse the dependency of the communities on this raw material as a means of subsistence.
- The project has had the collaboration and support of the Government of Telangana and the Labour Department, announcing policies and carrying on with awareness campaigns, as well as by the formal establishment of a social dialogue platform.
- A total of 5,240 cotton workers have directly benefited from the awareness and training activities, and 910,000 have indirectly benefited via social media, mainstream media and dissemination.

MALI

- Development of several workshops for the purpose of identifying and planning joint activities with a number of organisations (*Clear Cotton, Accel Africa, South-South Cooperation*) to achieve a more efficient management of resources and to benefit the cotton producing communities.
- Assessment of certain areas of the country regarding the needs of cotton producers in relation to their Fundamental Rights and Principles, involving 842 cotton producers in the dialogue.

Farms and farmers at the centre

We have worked internally with other teams like the financial or environmental departments, as well as with external organisations like Action for Social Advancement (ASA) or financial institutions like DBS bank, to create a pilot in the area of financial inclusion to help understand the mechanisms required to generate funding for the field workers, particularly during the organic cotton harvesting period.

Once the pilot was designed, an evaluation was carried out in various regions of India, covering 18 vulnerable locations, in order to analyse the needs of these workers, particularly those related to the community and means of livelihood.

- 18 discussions groups were created, with participation of approximately 400 cotton producers
- The infrastructure of the villages was analysed with the help of healthcare workers, teachers, students, children and the village leaders

Due diligence in the leather supply chain

Work is under way in India on the due diligence process of the leather supply chain in order to identify potential impacts on the workers at the various processes and links of this chain. To this end, Inditex has partnered with the Tata Institute of Social Science, with ample experience in the development of research, studies and reports, to define the roadmap for promotion of human and labour rights of these workers. The study has involved 12 factories, with interviews of 210 employees and 41 training sessions for management. Results are expected to be obtained in 2021, to be able then to replicate the action in other countries involved in leather production.

b) Raising the responsibility on sustainability of all the players in the supply chain

INVOLVEMENT OF STAKEHOLDERS

- India and Pakistan.
- Participants in meetings, dialogues and seminars held on the conditions of the sector and potential actions for development: 1,173.

RELATED PIAs

	Workers participation
	Living Wages
	Occupational Health and Safety
	Social Protection

IMPACTED DIMENSIONS:

	Industry.
---	-----------

Another of the areas of collaboration with the International Labour Organisation involves working with key stakeholders to increase their commitment and responsibility with regard to the cotton supply chain, by promoting collaborative actions to boost a sustainable change on the conditions of the sector. This has been specifically developed in India and Pakistan.

INDIA

The Government of Telangana announced its commitment to respecting fundamental labour rights. Information materials were also developed to reinforce the plan and raise awareness of the importance of education.

Senior government officers and NGO members held sessions to raise awareness on the eradication of underage work.

706 members of several relevant local organisations have taken part in meetings, seminars and training sessions.

PAKISTAN

Consultation meetings with several stakeholders (206 participants in total) to reach a common understanding of the challenges and opportunities of complying with the fundamental rights and principles.

Seminars and dialogues with civil society, enterprises (including Inditex), employers' associations, farmers' associations and government members, among others, for the purpose of strengthening working conditions, with 211 attendees.

The creation of two social dialogue platforms was agreed through which the creation of policies related to productivity, working conditions, social protection and occupational health and safety were proposed.

c) Creating best practices and recommendations for the raw material supply chain

IMPROVED WORKING CONDITIONS IN THE COTTON SECTOR

- Establishment of a mechanism to access local social support organisations.
- Distribution of 600 hygiene kits for workers and relatives
- Turkey.
- People trained on decent employment and health and safety, among other topics: 230.

RELATED PIAs

	Living Wages
	Occupational Health and Safety
	Social Protection

IMPACTED DIMENSIONS:

	Workplace		Industry
--	-----------	--	----------

We work to improve practices to achieve decent conditions in the production of cotton in Turkey, namely in the region of Sanliurfa. We have been working for years with other brands and organisations on a project driven by IPUD (Good Cotton Practices Association), which also involves the Ministry of Family, Labour and Social Services of the country.

One of the main milestones of the programme to date is the establishment of a mechanism whereby the workers and their families have access to the various local organisations providing social support. This mechanism is the result of the joint effort of main local players, which had been identified during the first phase of the programme.

Moreover, 230 people have benefited from some of the training sessions provided as part of the project, on topics such as health and safety, decent work or the role of intermediation in the cotton farms, among others.

Below is a list of other relevant activities in the two phases of the programme.

PHASE I		PHASE II	
2016	<p>In 2016 we established the foundations of the project via sessions focusing on the development of training on decent employment along with FLA (<i>Fair Labour Association</i>), IPUD and other sector brands</p>	2020	<p>In order to test out strategies and replicate good practices with the following results in 2020:</p> <ul style="list-style-type: none"> • Dissemination of good practices: <ul style="list-style-type: none"> - Launch of a learning platform on decent employment www.pamuktaigucu.com. - Distribution of training and awareness material developed in Phase 1 to 30 organisations. - Distribution of 600 hygiene kits to workers and their families in collaboration with NGOs. • Meeting with the Ministry of Family, Labour and Social Affairs to raise awareness of the identified issues. • Development of training and awareness material for social interlocutors. • Mobilisation of local interlocutors, developing collaboration and interaction between interlocutors in different provinces.
2017	<p>In 2017 the FLA and IPUD began a strategic collaboration with BCI (<i>Better Cotton Initiative</i>) and another seven brands in the industry for the purpose of providing information on employment practices and working conditions in the province of Sanliurfa, raising awareness at both an industrial and government level.</p>		

Due diligence in the cotton supply chain

In the past two years, several reports have been published condemning social practices and breaches in some regions of 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 into practice the necessary mechanisms to prevent or remedy them.

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

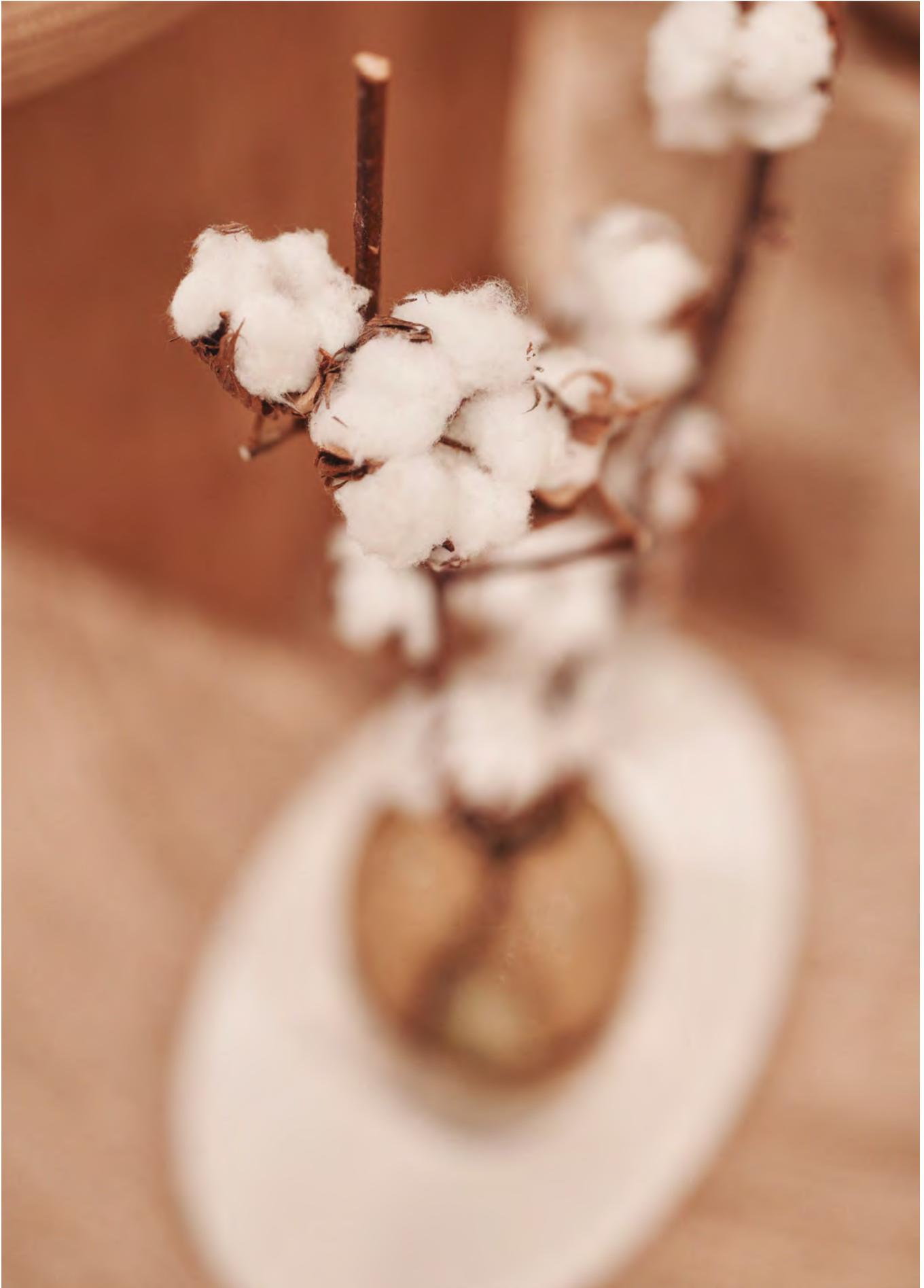
with certain stakeholders, such as the *Ethical Trading Initiative* and the ILO, strengthen our commitment to the prevention of forced labour. In this regard, we remain committed to the process of involvement and dialogue with relevant stakeholders (both local and international) in order to identify opportunities to prevent negative impacts on workers' lives.

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

- 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>)



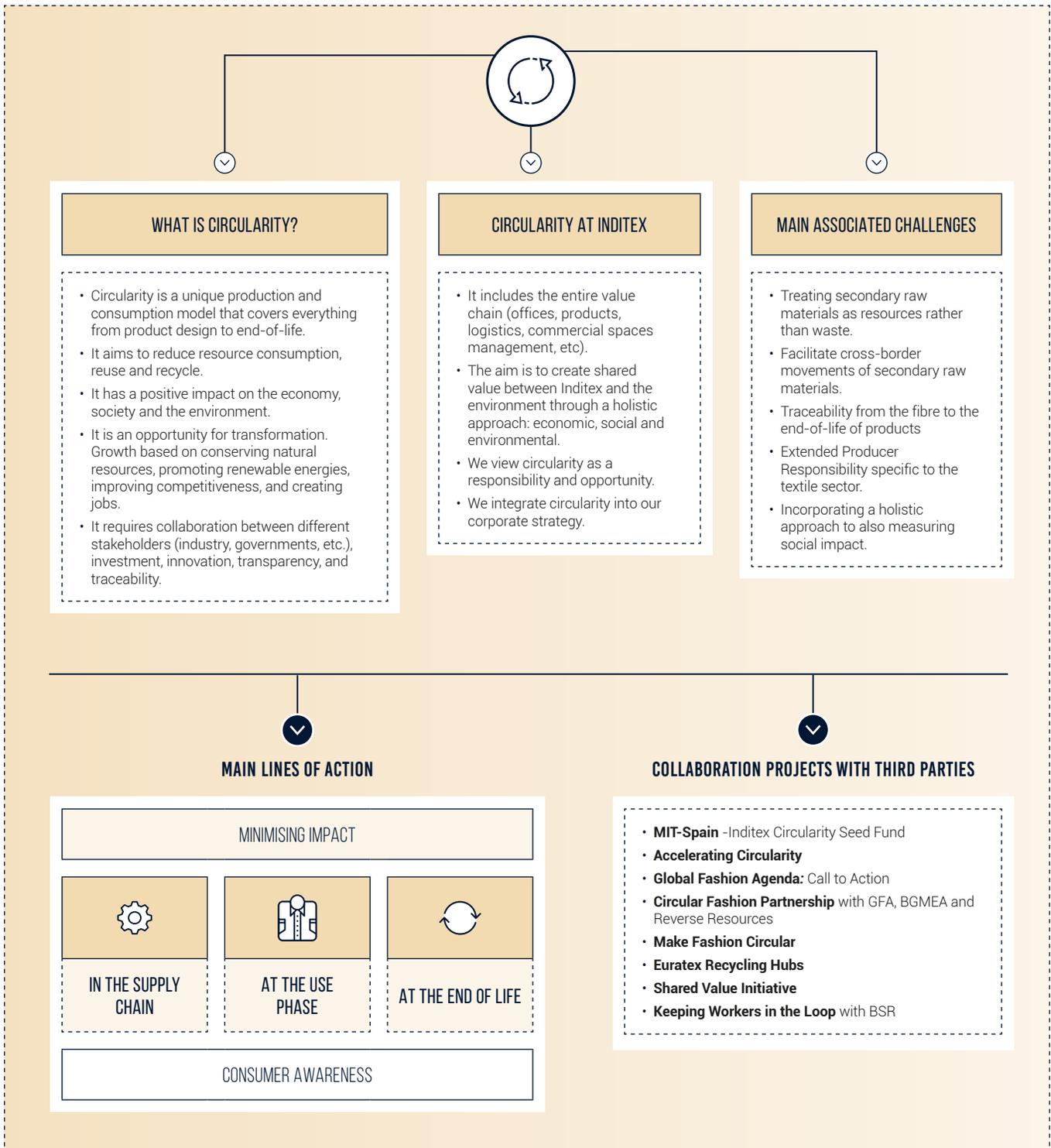


Circularity

2.8. Circularity

RELATED MATERIAL TOPICS:

CIRCULARITY, PRODUCT SUSTAINABILITY, PROTECTION OF NATURAL RESOURCES, STAKEHOLDER ENGAGEMENT



2.8.1. Circularity at Inditex

At Inditex, we understand that working towards a sustainable business model involves offering customers ethical and responsible products and using resources efficiently.

Within this approach, circularity applies to all stages of the value chain and impacts all our activities and operations: from our offices to the product, including manufacturing, logistics, and commercial spaces management. Our vision extends beyond a reactive approach to identifying opportunities to make our business more sustainable and resilient in the long term.



THE CIRCULAR ECONOMY FACILITATES GROWTH WHILE CONSERVING NATURAL RESOURCES AND PROMOTING RENEWABLE ENERGIES, REPRESENTING A SIGNIFICANT OPPORTUNITY FOR TRANSFORMATION, BENEFITING PEOPLE, THE ENVIRONMENT AND THE ECONOMY.

Our approach to circularity has common elements from product design to end-of-life. Products must be designed in a way that minimises waste and pollution and maximises recycling at the end of their useful life. Similarly, products must also be as durable and non-toxic as possible and kept in use for as long as possible. Finally, in terms of recyclability, the materials incorporated into our production processes must be compatible with current industry recycling options.



We aim to implement a circular business model with a positive social and environmental impact that creates shared value between Inditex and its environment.

At Inditex, we embrace the circular economy through the different initiatives aimed at closing the life cycle of our products and materials. Our goal is to transform the concept of waste as a valuable resource that can be recovered and fed back into production systems as secondary raw materials. Therefore, in this chapter, we will refer to waste as secondary raw materials.

The ultimate goal of the circular economy model is to reduce dependence on raw materials and resources, improve profitability and competitiveness, and generate employment opportunities. Key requirements for the effective implementation of a circular recovery model in the textile industry include improved designs for increased circularity and waste management, selective textile waste collection, and sorting and recycling infrastructure.

In our Sustainability Roadmap, we have established a series of commitments to effectively overcome the barriers to circularity and create shared value between Inditex and surrounding communities.

COLLABORATIVE APPROACH

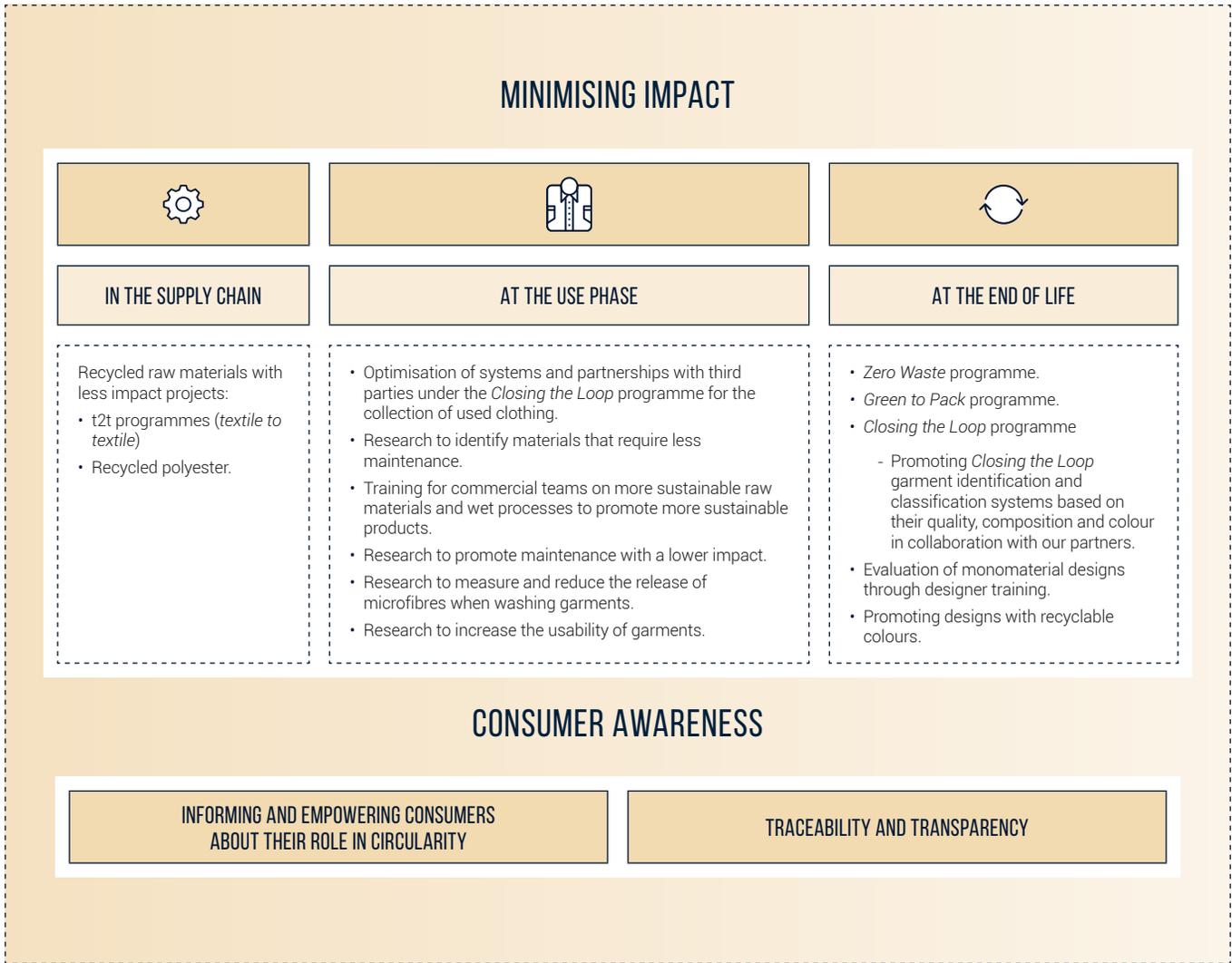
The drive for circularity must be a joint effort by consumers, industry and governments. Collaboration is crucial to support the production and marketing of sustainable products, encourage reuse, and optimise the collection and recycling of garments and footwear.

This collaborative approach involves defining priority actions and needs to overcome barriers to circularity, stimulating collective and collaborative management, supporting public-private investment and innovation, and promoting transparency in the process.

Therefore, Inditex contributes its experience in debates on circularity and joins forces with key stakeholders. As a result, we address this issue individually and collectively through key industry associations and specific alliances.

We are aware of the diverse challenges associated with circularity. Therefore, we have joined forces with other industry players to tackle these challenges together. We have also developed specific projects to address each challenge.

2.8.2. Main initiatives



a) Minimising impact in the supply chain

Reducing the impact on the supply chain in terms of materials, processes and distribution is essential to closing the circle and committing to usability. This can only be achieved by enhancing efficiency in processes, searching for more respectful alternatives, replacing raw materials, and optimising specific materials and processes.

At Inditex, we implement several initiatives to reduce the environmental impact on our supply chain:

RECYCLED RAW MATERIAL PROJECTS WITH LESS IMPACT: BOOSTING PRE-CONSUMER WASTE RECYCLING CIRCUITS ⁽¹⁾

T2T PROGRAMMES (TEXTILE TO TEXTILE)

The general objective of this project is to recycle secondary raw materials of our suppliers, boost textile recycling scalability in the sector and move towards a circular business model.

RECYCLED POLYESTER

We promote the use of recycled synthetic fibres to reduce the consumption of virgin materials, thereby extending the useful life and improving the recyclability of our products.

t2t programmes

WITH THE AIM OF, AMONG OTHERS, RECYCLING SECONDARY RAW MATERIALS GENERATED BY OUR SUPPLIERS, WE ARE WORKING ON IMPROVING TECHNOLOGIES TO OVERCOME THE CURRENT LIMITATIONS IN RECYCLING TEXTILE BLENDS AND ACHIEVE ECONOMICALLY VIABLE SOLUTIONS THAT WILL IN TURN INCREASE THE AVAILABILITY OF RECYCLED FIBRES.

The t2t (textile to textile) programmes were created under the *Sustainability Innovation Hub* initiative, an open innovation platform based on collaborative technological surveillance.

 More information, please see point a) *Innovation of section 3.3.2. Selection of materials* of this Annual Report.



Our goal: boost the scalability of textile recycling in the sector and move towards a circular business model.

(1) We refer to pre-consumer waste as cutting waste from factories, unmarketable *second* qualities from suppliers, textile waste from production, defective products, etc.



KEY INITIATIVES

T2TCR_ TEXTILE TO TEXTILE CHEMICAL RECYCLING

The first pilot programme of the Sustainability Innovation Hub is focused on chemical recycling and was launched in December 2020. Its objectives are:

- To expand and improve existing technologies to eliminate current limitations on the recycling of textile blends.
- To achieve economically viable *textile-to-textile* recycling solutions.
- To use post-industrial secondary raw materials from our suppliers obtained from unsold or defective products.
- To increase the availability of recycled fibre on the market and ensure preferential access to our suppliers.

T2TCR_ CHEMICAL RECYCLING BY IONIC SOLUTION

With the support of Inditex, the University of Vigo is carrying out research into ionic solutions for the separation of natural components from synthetics in textile blends (e.g., cotton and polyester). Launched under MISTI (MIT International Science Technology Initiative), the project is now in its fourth year of development and collaboration between two laboratories and two multidisciplinary teams (MIT and the University of Vigo).

T2T MR_ TEXTILE TO TEXTILE MECHANIC RECYCLING

In 2020, we launched mechanical recycling circuits for pre-consumer cotton to recover cutting waste from our factories and produce high-quality, competitively priced recycled cotton fibre.

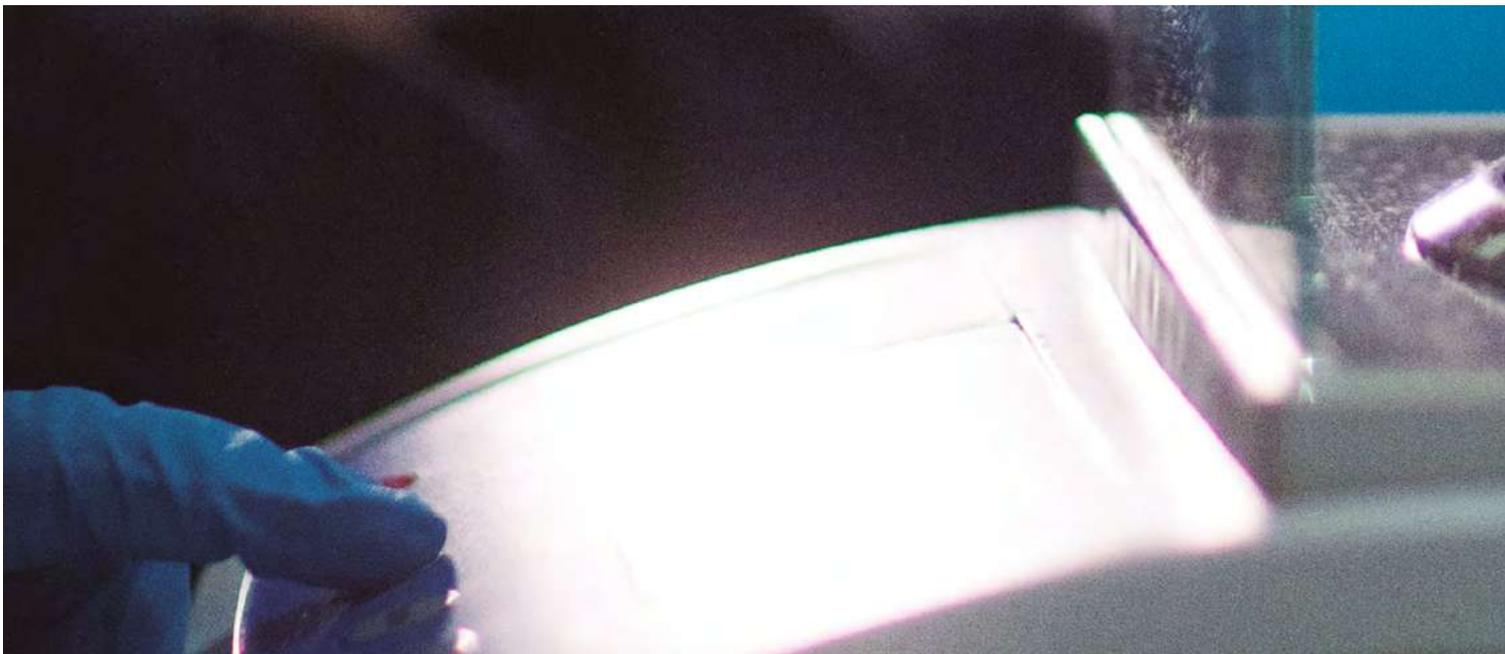
Recycled polyester

INDITEX IS COMMITTED TO USING FIBRES SUCH AS RECYCLED POLYESTER WITH A REDUCED ENVIRONMENTAL IMPACT COMPARED TO OTHER ALTERNATIVES.

We are currently researching the recycled polyester manufacturing process. The aim is to define a strategy that guarantees the supply of recycled polyester and promotes a reduction in the consumption of fossil fuels associated with this material. The strategy also aims to improve the circularity and recyclability of PET (by focusing on rPET) and reduce the demand for virgin raw material.



Our goal: to guarantee a supply of rPET in line with our goal of 100% sustainable polyester by 2025.



“ We aim to improve the recyclability and biodegradability of fibres, extend their useful life, and increase the availability of recycled fibres for our suppliers.



b) Minimising the impact in the use of products

At Inditex, we strive to extend the useful life of our products and reduce their impact through projects that improve functionality, usability and reusability and guarantee quality. Actions such as choosing finishes that require less maintenance (washing, ironing, drying, etc.), using resistant materials with better dyes and finishes that provide more physical durability, increasing versatility and functionality, and enhancing the emotional bond with garments through customisation are essential to achieving this objective.

At Inditex, we implement several initiatives to reduce the environmental impact in the use of our products:

PROJECTS RELATED TO REDUCING THE ENVIRONMENTAL IMPACT IN THE USE OF OUR PRODUCTS

OPTIMISATION OF SYSTEMS AND PARTNERSHIPS WITH THIRD PARTIES UNDER THE *CLOSING THE LOOP* PROGRAMME FOR THE COLLECTION OF USED CLOTHING

RESEARCH TO IDENTIFY MATERIALS THAT REQUIRE LESS MAINTENANCE

TRAINING FOR BUYING TEAMS ON MORE SUSTAINABLE RAW MATERIALS AND WET PROCESSES

RESEARCH TO PROMOTE MAINTENANCE WITH A LOWER IMPACT

RESEARCH TO MEASURE AND REDUCE THE RELEASE OF MICROFIBRES WHEN WASHING GARMENTS

RESEARCH TO INCREASE THE USABILITY OF GARMENTS





Microfibres

At Inditex, we implement science and innovation programmes to develop and implement sustainable solutions to the environmental challenge of microfibre shedding from textile garments and its arrival to ecosystems.

In 2020, we stepped up our collaboration with universities, research centres, international scientists, and other industries. Our main lines of research and innovation in this area are as follows:

- **ECODESIGN:** As a priority, in 2020, we have conducted case studies on the substitution of synthetic fibres in textile fabric structures with higher microfibre shedding rates.
- **PROCESSES:** In 2020, we focused on identifying the manufacturing processes with the highest microfibre shedding rates to implement specific actions. In particular, we are innovating in filtering systems in dyeing mills, washing mills and wastewater treatment plants. In addition, we oversee the management of textile waste filtered as solid waste through our environmental audits under the *Green to Wear 2.0* standard.

In addition, in order to minimise microfibre shedding in domestic laundering, we are working with leading manufacturers of industrial machinery to find a sustainable technological solution (in terms of energy and water consumption) that can be implemented at the manufacturing stage.

- **END USE:** In 2019, a pioneering industrial joint research collaboration project was initiated with a leading chemical industry organisation to develop and manufacture sustainable solutions on an industrial scale to reduce microfibre shedding in domestic laundering. Furthermore, we support and fund a research programme with the Polytechnic University of Catalonia to develop filters for domestic washing machines.

Another relevant line of research is assessing the impact of microfibres. For this purpose, we actively collaborate in several international research consortiums.

We are also a member of the Ellen MacArthur Foundation microfibre group through the Make Fashion Circular initiative. Since 2019, we have also been a member of The Microfibre Consortium (TMC), a global initiative focused on developing practical microfibre solutions for the textile industry.

MANUFACTURING-DRIVEN INNOVATION: ADVANCED FILTERING FROM CHEMIPOL

Among the collaborative research projects in which we participate, we are working with Chemipol on the technological adaptation of ring filtration technology (commonly used in water microfiltration systems in the agriculture industry) to deplete water from wet processes in the textile industry. This technology pursues to reduce the release of microfibres in wastewater.

This innovation is positioned as a sustainable and efficient alternative to microfibre shedding because, in addition to its microfibre potential, it offers low water consumption, low maintenance and self-cleaning operations that allow a responsible waste management.



The Zero Waste Programme is one of the initiatives that enable us to integrate the circular economy concept into our business model.



c) Minimising impact in end-of-life

Reducing the complexity of materials (quantity and distribution), facilitating disassembly, and instilling best consumer practices are crucial factors to ensure the reusability, recyclability and biodegradability of product components.

At Inditex, we implement several initiatives to reduce the environmental impact at the end-of-life of our products:

PROJECTS RELATED TO REDUCING THE ENVIRONMENTAL IMPACT AT THE END-OF-LIFE OF OUR PRODUCTS

ZERO WASTE PROGRAMME

An initiative aiming to achieve zero waste at our facilities (corporate headquarters, logistics centres and stores).

GREEN TO PACK PROGRAMME

An initiative to establish quality standards for our packaging, promoting the use of recycled materials, extending the useful life of packaging, and facilitating subsequent recycling.

CLOSING THE LOOP PROGRAMME

An initiative aimed at offering customers and employees the best collection channel for used clothes, shoes and accessories to give them a second life or a new use while promoting the closing of the textile product life cycle.

PROMOTING *CLOSING THE LOOP* GARMENT IDENTIFICATION AND CLASSIFICATION SYSTEMS BASED ON THEIR QUALITY, COMPOSITION AND COLOUR IN COLLABORATION WITH OUR PARTNERS.

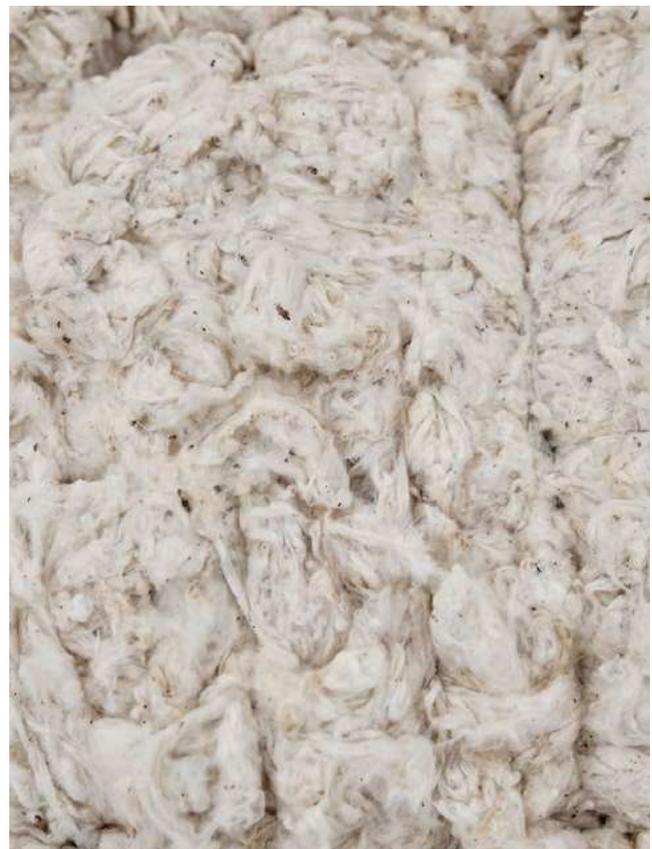
EVALUATION OF MONOMATERIAL DESIGN THROUGH DESIGNER TRAINING

PROMOTING DESIGNS WITH RECYCLABLE COLOURS

Zero Waste programme

THIS PROGRAMME IS ONE OF THE INITIATIVES IMPLEMENTED BY INDITEX TO INTEGRATE THE CIRCULAR ECONOMY CONCEPT INTO OUR BUSINESS MODEL. THROUGH *ZERO WASTE*, WE ARE WORKING TO FULFIL OUR COMMITMENT TO ENSURING THAT BY 2023 NO WASTE GENERATED BY ACTIVITIES AT OUR HEADQUARTERS, LOGISTICS CENTRES OR STORES ENDS UP IN A LANDFILL.

The Zero Waste Programme is designed to recover the waste generated at our facilities through proper classification, collection and subsequent recycling by authorised waste managers. Sorting waste correctly at our facilities is an essential component of the programme as it can be converted into a resource to make new products. In this regard, we have developed in-house devices to optimise the separation and compaction of waste materials, reduce greenhouse gas emissions associated with transporting waste, and improve ergonomics during processing.





We implement different initiatives and collaborate with several organisations and institutions to integrate the circular economy concept into our business model.

Waste generation

The absolute values of waste generation in 2020 and 2019 at our headquarters, logistics centres and own factories are shown below (excluding store data⁽¹⁾):

TYPE OF WASTE	2020 (KG)	2020 (%)	2019 (KG)	2019 (%)
CARDBOARD AND PAPER	10,974,962	59%	14,662,698	63%
WOOD	3,438,309	19%	3,769,554	16%
OTHER NON-HAZARDOUS WASTE	2,771,796	15%	3,182,099	14%
PLASTIC	863,627	5%	892,516	4%
TEXTILE WASTE	302,785	2%	498,217	2%
METAL	67,747	0%	267,715	1%
HAZARDOUS WASTE	58,813	0%	78,479	0%
TOTAL	18,478,038	100%	23,351,279	100%

The destination of this waste was as follows, depending on its treatment:

NON-HAZARDOUS WASTE	2020 (KG)	2020 (%)	2019 (KG)	2019 (%)
RECYCLING	16,582,699	90%	20,903,595	90%
ENERGY RECOVERY	238,426	1%	321,323	1%
LANDFILL	1,598,100	9%	2,047,882	9%
TOTAL	18,419,226	100%	23,272,800	100%

HAZARDOUS WASTE	2020 (KG)	2020 (%)	2019 (KG)	2019 (%)
RECYCLING	48,547	82%	71,613	91%
ENERGY RECOVERY	976	2%	1,329	2%
LANDFILL	9,290	16%	5,538	7%
TOTAL	58,813	100%	78,479	100%

(1) Information on waste generated at our own stores is not available with the level of breakdown required in the Company's systems. Inditex has several ongoing projects to be able to report this information in future reporting exercises.

Likewise, associated with Group's products, we place packaging materials (e.g., bags, labels and protective elements) on the market, which are managed by the Integrated Packaging Management Systems available in

the markets in which we operate. This means that each of our brands covers the costs involved in the collection and management of the packaging made available to customers through an authorised non-profit management body for each market (e.g. Ecoembes in Spain).



Our commitment: all the waste from our headquarter, logistics centre and store activities will be recycled.

KEY INITIATIVES

SINGLE HANGER

The *Single Hanger* Project consists of developing a single hanger to transport garments from textile suppliers to stores for subsequent display. After implementing the project in Zara Women over 2020, we have now rolled it out to Zara Men and Kids, ready to be implemented in the 2021 Spring/Summer season. In addition, we have consolidated hanger models and materials for improved traceability, reusability and recyclability.

In 2020, 61.8 million conventional hangers were retrieved from stores (115 million hangers in 2019 and 120 million hangers in 2018). This reduction over previous years is the result of our progress in implementing this project with the gradual phasing out of conventional hangers.

However, rather than being wasted, the discarded conventional hangers are collected and repurposed to create new items for reuse in new products. For example, our hangers are being used to manufacture 100% recycled *navets* (plastic thread used to attach labels to garments).



REUSED OR RECYCLED WASTE

The waste generated by the Group is channelled through internal collection circuits and processed by legally authorised waste managers. This approach facilitates the recycling, recovery and conversion of waste into new material resources.

In 2020, 91% of our paper, cardboard, wood, plastic, metal, and textile scraps, generated primarily at Inditex's headquarters, logistics centres and own factories, was sent for reuse and recycling through these internal circuits (91% and 88% of waste in 2019 and 2018, respectively), thereby minimising the use of virgin raw materials. As a result, we help to minimise the use of virgin raw materials.

Our recycling and reuse activities cover many different areas. One example is the reuse of alarms, 1.074 billion of which were collected over the past year (1.302 and 1.201 billion units in 2019 and 2018, respectively).

TRAINING

Our employees are also trained to reduce at source and improve recycling. In 2020, waste management training was provided to 1,397 employees (1,905 and 1,233 employees in 2019 and 2018, respectively). To complement this training, we have developed a pilot project at the Inditex headquarters through which employees can use a web application to check how to dispose of waste correctly in the different containers available in each area.

Green to Pack programme

OUR *GREEN TO PACK* PROGRAMME ESTABLISHES QUALITY STANDARDS FOR OUR PACKAGING, PROMOTES THE USE OF RECYCLED MATERIALS, EXTENDS THE USEFUL LIFE OF PACKAGING, AND FACILITATES SUBSEQUENT RECYCLING. AS A RESULT, WE IMPROVE THE QUALITY OF OUR PACKAGING AND REDUCE THE CONSUMPTION OF RESOURCES WHILE OPTIMISING TRANSPORT.



Our goal: to reach 100% packaging reuse or recycling in the supply chain.

KEY INITIATIVES

CARDBOARD BOXES

Through the *Green to Pack* programme, we continue to improve the quality of the cardboard boxes used to transport our garments from suppliers, prioritise the use of recycled materials, and extend their useful life. Our boxes contain 64% recycled cardboard sourced from the market and can be used up to five times before being sent for further recycling. The cardboard obtained from the *Green to Pack* box recycling process is used, among other applications, to manufacture boxes for Zara online shipments. Furthermore, in 2020, we have increased by 8% our use of paper envelopes over traditional boxes for Zara online shipments to reduce our consumption of materials.

The programme includes all Inditex brands, and an increasing number of markets are joining the initiative. In 2020, Morocco, Tunisia and Egypt joined Bangladesh, Cambodia, India, Mainland China, Myanmar, Pakistan, Portugal, Turkey and Vietnam, where the programme was already in operation. Also, in 2020, more than 16 million certified boxes were sourced from 1,196 suppliers (more than 14 million certified boxes from 827 suppliers in 2019).

This year, we have improved the packaging used to deliver our 45,000 Christmas hampers, working with our suppliers to optimise the stages of production, palletisation and transport. The items are shipped on bulk pallets, which eliminates the need for packs or individual packaging, saves money, and streamlines production line processes. As a result, we reduce plastic by 65% and cardboard by 80% and save 60,000 metres of tape while ensuring that all the materials contained in the boxes are recyclable. Furthermore, as in previous years, we continue to make boxes from recycled materials recovered from our facilities.





PLASTIC

Our commitment: elimination of single-use plastic to customers by 2023.

Over 2020, all Inditex brands completed the transition from plastic bags to paper bags in stores and eliminated plastic from online orders, which no longer include an external bag. As a result, we have fulfilled our commitment to eliminate plastic bags across all Group brands by 2020.

Inditex aims to reuse or recycle all plastics in its business operations for reincorporation into the supply chain. To achieve this goal, we have signed up to the New Plastics Economy Global Commitment for 2025, promoted by the Ellen MacArthur Foundation (EMF) and the United Nations Environment Programme. This commitment promotes the reuse or recycling of all the plastics from our activities, as well as reducing the amount of unnecessary plastic *packaging* and increasing the percentage of recycled content in these materials.

Under the New Plastics Economy Global Commitment, we have committed to implementing the following actions over the next five years:

- Eliminate problematic and unnecessary packaging.
- Switch from single-use packaging models to reusable models.
- Provide 100% reusable, recyclable or compostable plastic packaging.
- Increase the content of post-consumer recycled packaging.

Meanwhile, we also participate in the Ocean Pillar initiative for 2025 and 2030 promoted by The Fashion Pact. This initiative aims to significantly reduce the impact of packaging on oceans. It is centred on two actions:

- Eliminating unnecessary plastic packaging by 2025 for customers and in the supply chain by 2030.
- Achieving at least half of all plastic packaging with 100% recycled content by 2025 for our customers, and by 2030 in the supply chain.

Joint action and innovation are essential for delivering on these commitments. The objective is to share experiences and knowledge related to *packaging* optimisation in a pre-competitive environment to advance the sector while providing a meeting point for the most innovative startups in the packaging industry.

Therefore, in line with our goal of eliminating single-use plastics for customers by 2023, in 2020, our design teams adopted multiple measures across all our brands and sections to eliminate, reduce and replace single-use plastics.

Key lines of action include the following:

- **Zara** has eliminated or replaced more than 100 million plastic items in all sections and departments, particularly in the accessories department.
- **Pull & Bear** has replaced 100% of plastic customer cards (gift and subscription cards) with cardboard alternatives. In addition, all the hangers it manufactures are now 100% recycled.
- **Zara Home** has eliminated all plastic bags to protect sheets. Likewise, together with **Oysho**, **Stradivarius** and **Lefties**, it has made progress in replacing the plastic on racks and pack bags.
- **Uterqüe** no longer provides customers with single-use plastics, reaching this target already in 2020.

Other significant actions include:

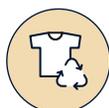
- Replacement of the polyester tape in Zara shoeboxes with paper tape.
- Replacement of the polypropylene gift bag sent with our *Zara online* orders with a 100% cotton bag.
- Development of a single-material anti-mould patch included in *packaging* to absorb moisture. It replaces the previous patch made of a mixture of materials to facilitate recycling.
- Manufacture of black *navets* (plastic thread used to attach labels to garments) from 100% recycled plastic (90% sourced from our recycled hangers).

In addition, we have made several improvements to our operations, including the following:

- More than 600,000 plastic shoe trays have been replaced at store warehouses, eliminating more than 600 tonnes of plastic.
- Use of 100% recycled plastic sheets to cover goods in air freight shipments to our stores.
- The percentage of post-consumer recycled content in the bags used to collect and sort plastic at our facilities has increased, containing 100% post-consumer recycled content.
- Elimination of single-use beverage and food containers at our facilities.

Closing the Loop

AT INDITEX, WE WANT TO CLOSE THE LOOP OF OUR BUSINESS MODEL AND MOVE TOWARDS THE CIRCULAR ECONOMY BY DEVELOPING A COMPLETE AND EFFICIENT LIFE CYCLE FOR OUR PRODUCTS AND ENSURING THAT NONE OF THEM ENDS UP IN A LANDFILL.



Our commitment: in 2020, 100% of our stores with used clothing collection points.

To achieve this goal, we operate our own collection programme called *Closing the Loop*. Through this initiative, Inditex aims to offer customers and employees the best collection channel for used clothes, shoes and accessories to give them a second life or a new use while promoting the closing of the textile product life cycle and preventing garments from ending up in landfill sites. At the same time, this project promotes social employment and collaboration with social and third sector organisations.

COLLECT, REUSE, RECYCLE

These are the three pillars of our **Closing the Loop** programme, which aims to extend the useful life of textile products through reuse, when a second life is viable, or recycling, when they can no longer be reused:



Closing the Loop programme



COLLECT

The *Closing the Loop* programme is an Inditex initiative aimed at **collecting used products or materials from consumers** to provide an alternative to landfill (donation, reintroduction into the initial processing and manufacturing cycle, etc.). We currently implement this programme in collaboration with social organisations and material processing and logistics companies.

In 2020, we achieved our commitment established in our Sustainability Roadmap approved by the 2019 Annual General Meeting: to **ensure that 100% of our stores have a collection container for used clothing⁽¹⁾** (31% in 2019 and 18% in 2018). This service enables customers to dispose of used or unwanted clothing items anywhere in the world, thereby preventing the garments from ending up in landfill sites.

At the end of 2020, the programme was operational in **94 markets in collaboration 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 firm commitment to local social action through job training for people at risk of exclusion. As a result, we contribute to the generation of social employment and promote the classification and professionalisation of these organisations.

Furthermore, in addition to providing clothing collection containers at our **logistics centres, corporate headquarters and factories**, we have also teamed up with Caritas to roll out this project across Spain with clothes recycling containers available to customers on the streets of different cities. In 2020, there were a total of 2,090 containers (1,856 containers at year-end 2019 and 2018).

The clothing collection service is also **available for online orders**, whereby customers can request the collection of articles through the home delivery service. This service is already operational in Spain and several cities in China, Paris, London, and New York. Meanwhile, we are working to roll out the online programme in other key markets.

The collected garments are donated to **non-profit organisations** for sorting and classification for the best possible use. As of last year, 91 collaboration agreements had been signed, including those entered into with various social organisations in all markets⁽²⁾.

COLLABORATION WITH CÁRITAS

2020 is this programme's fourth year of implementation to manage the end-of-life of textile products in collaboration with Cáritas. This initiative, to which Inditex has allocated EUR 7 million for the 2016–2022 period, has led to the creation of the **Moda Re-** Programme by Cáritas, **dedicated to the collection and processing of used textiles for recovery and reuse** while also generating employment for vulnerable groups. Thanks to **Inditex's support** to this social economy initiative, **2,090 containers** have been installed in Spain, **24 second-hand clothing stores** have been opened or upgraded, and **360 jobs** have been created, of which 180 are jobs held by people at risk of social exclusion.

 For more information on *Key programmes*, please see chapter 4.2. *Corporate Community Investment* of this Annual Report.

REUSE

Through **collaboration with several non-profit social organisations**, depending on their condition, the donated garments are **repaired, recycled or sold** to finance the social projects of these organisations.

Since 2015, more than 62,000 tonnes of clothing, footwear and accessories have been donated through this programme (49,479 and 34,157 tonnes at the end of 2019 and 2018, respectively).

RECYCLE

Any collected garments that cannot be reused are recycled and given a **second use for the production of secondary raw materials** that can be fed back into the production process, thereby reducing the consumption of virgin raw materials and waste production.

To close the loop of garments that cannot be reused or of waste from textile manufacturing, we work with **several business organisations and universities** that promote **innovation and the development of new, more sustainable materials and technologies for the recycling of textile products**.

(1) The programme excludes stores located in markets where the initiative cannot be implemented due to local laws or context.

(2) The programme excludes markets where the initiative cannot be implemented due to local laws or context.



Recovery of footwear soles and environmental footprint of materials and products

Through Tempe⁽¹⁾ and in collaboration with the main **Footwear Technology Centres** in Spain, we have opened lines of research to find **solutions for the recovery of footwear components** and to calculate the environmental footprint of materials and products (footwear and accessories):

- In 2020, a **Footwear Sole Recovery project** was launched in collaboration with the Footwear Technology Centre of La Rioja. This demonstration project aimed to recover rubber shoe soles from defective products and/or store returns to obtain recycled rubber and maximise its incorporation into new soles.
- In the same year, we joined two **projects to calculate the environmental footprint of materials and products** led by the Footwear Technology Centre (INESCOP). Firstly, we participated in the ACV Shoes project, which aims to analyse and demonstrate the environmental benefits of sustainable footwear components compared to conventional options and to serve as a basis for developing efficient eco-design, manufacturing and recycling solutions. Secondly, we participated in the *Greenshoes4all* project, aiming to implement, demonstrate and disseminate the Product Environmental Footprint (PEF) methodology for footwear and develop efficient eco-design, recycling, and manufacturing solutions to produce shoes with a lower PEF.
- Tempe has joined the **Circular Industry CV initiative** developed by the Inescop Footwear Technology Centre in collaboration with the Textile Technology Institute (AITEX) and the Technological Institute for Children's Products and Leisure (AIJU), which aims to develop and approve new circular economy models for the recovery of multi-composition waste from the footwear, textile and toy sectors.

(1) 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 brands.



We collaborate with leading institutions such as the Massachusetts Institute of Technology (MIT) and Cáritas to develop textile recycling processes and technologies to promote a circular economy model.



d) Raising consumer awareness

At Inditex, we are committed to achieving a circular economy model in which consumers play a crucial role, not only in making purchasing decisions but also in the separation, recycling, and reuse of products. Therefore, it is fundamental to have a common framework for action that promotes consumer empowerment and protection.

Traceability and transparency are key elements in empowering consumers. Inditex adheres to and has incorporated in its strategy the concepts of traceability and transparency established by the United Nations Global Compact in 2014. Accordingly, traceability is defined as "the ability to identify and trace the history, application, location and distribution of products, parts and materials". Meanwhile, transparency is defined as "the public disclosure of information that facilitates common understanding, accessibility, clarity, and comparability".

 For more information, please see chapter 3.4. *Sustainable management of the supply chain* of this Annual Report.

In order to empower consumers to make responsible choices and promote circular consumption patterns, Inditex is aligned with the European Commission's initiative to communicate truthful information on product sustainability through the digitalisation and standardisation of labelling regulations between the EU Member States.

Furthermore, to maintain garment quality and extend their useful life, brands such as Zara, Pull&Bear, Massimo Dutti, and Uterqüe have published specific clothing care guides on their websites.

Similarly, the Inditex brands websites provide information on the origin, impact and characteristics of the most sustainable materials used in their collections. By disclosing this information, Inditex aims to inform customers about the sustainable alternatives available on the market and promote responsible consumption.

2.8.3. Other collaboration projects with third parties

MIT SPAIN - INDITEX CIRCULARITY SEED FUND

The MIT-Spain Inditex Circularity Seed Fund forms part of MISTI Global Seed Funds. Through an annual call for proposals, the fund primarily supports new collaborations between MIT faculty and students and their peers at Spanish universities and research institutions.

At Inditex, we collaborate with prestigious institutions, such as the Massachusetts Institute of Technology (MIT) and Cáritas, to support the advancement of textile recycling processes and technologies in line with our circular economy strategic focus. Specifically, we have fulfilled our Global Fashion Agenda commitment for 2020 to fund textile recycling initiatives by investing USD 3.5 million (EUR 3 million) to support research in this area.

In 2019, we signed an agreement with the Massachusetts Institute of Technology (MIT), establishing the Inditex Materials Science and Engineering Fellowship Fund with the MIT Department of Materials Science and Engineering, funded with USD 1 million (EUR 857,000). This fund aims to promote sustainability research.

In 2020, the second triennial edition of the MIT-Spain Inditex Circularity Seed Fund was launched through the MISTI (MIT International Science and Technology Initiatives) programme as a continuation of the first edition (2017-2019). This second edition of the programme aims to drive research in areas such as:

- New textile recycling techniques.
- Creation of new fibres with sustainable technologies.
- New methodologies to improve maintenance and extend the life of garments.
- Optimisation of garment biodegradability.

- Development of new trace systems at the fibre level.

This fund promotes collaboration in the field of circularity between MIT faculty and student research teams and their counterparts at Spanish universities and research institutions. Inditex has contributed USD 450,000 (EUR 386,075) for this second triennial edition, covering the 2020-2022 period.

The objective of the main project financed by the fund is to improve the *textile-to-textile* circularity of mixed fibres, one of the greatest challenges at present. For this purpose, we invest in chemical recycling for mixed composition fabrics. By advancing this project, we aim to share this technique with partners from other companies to transform it into an industrial-scale approach.

Similarly, in the area of textile recycling, 2020 marked the fourth year of our collaboration agreement with Caritas to improve the end-of-life management of textile products. Under this agreement, funded by Inditex with €7 million for the 2016-2022 period, we have undertaken various projects to strengthen industrial activity and recycling.

ACCELERATING CIRCULARITY

This project aims to establish systems that will harness the value and resources of existing textiles for new products, thereby cutting the millions of tonnes of textile waste that end up in landfills every year and helping to reduce greenhouse gas emissions in the sector.

Accelerating Circularity is a collaborative project through which the garment industry has joined forces to boost circularity. This project aims to research, map, link, manage, and report on the development and performance of circular supply chains with a focus on chemical and mechanical recycling for PET (recycled polyester fabric) and cellulose-based materials.

Inditex is a founding partner and member of the steering committee of *Accelerating Circularity* in Europe. The governing body of this entity also includes organisations such as Textile Exchange, Circle Economy, Fashion for Good, and Reverse Resources. Other participants include fibre manufacturers and textile waste, supply chain, brand, and retail experts.

Key objectives

- Define scalable circular textile supply chain models.
- Identify the potential of commercial products based on profitable circular textile supply chains.
- Validate new business models that mobilise circular supply chains.
- Extract results that enable textile waste to be turned into raw materials for commercially scalable circular supply chains.

GLOBAL FASHION AGENDA: CALL TO ACTION

Global Fashion Agenda, the organisation behind the Copenhagen Fashion Summit, calls on fashion brands and retailers to adopt measures that favour circularity.

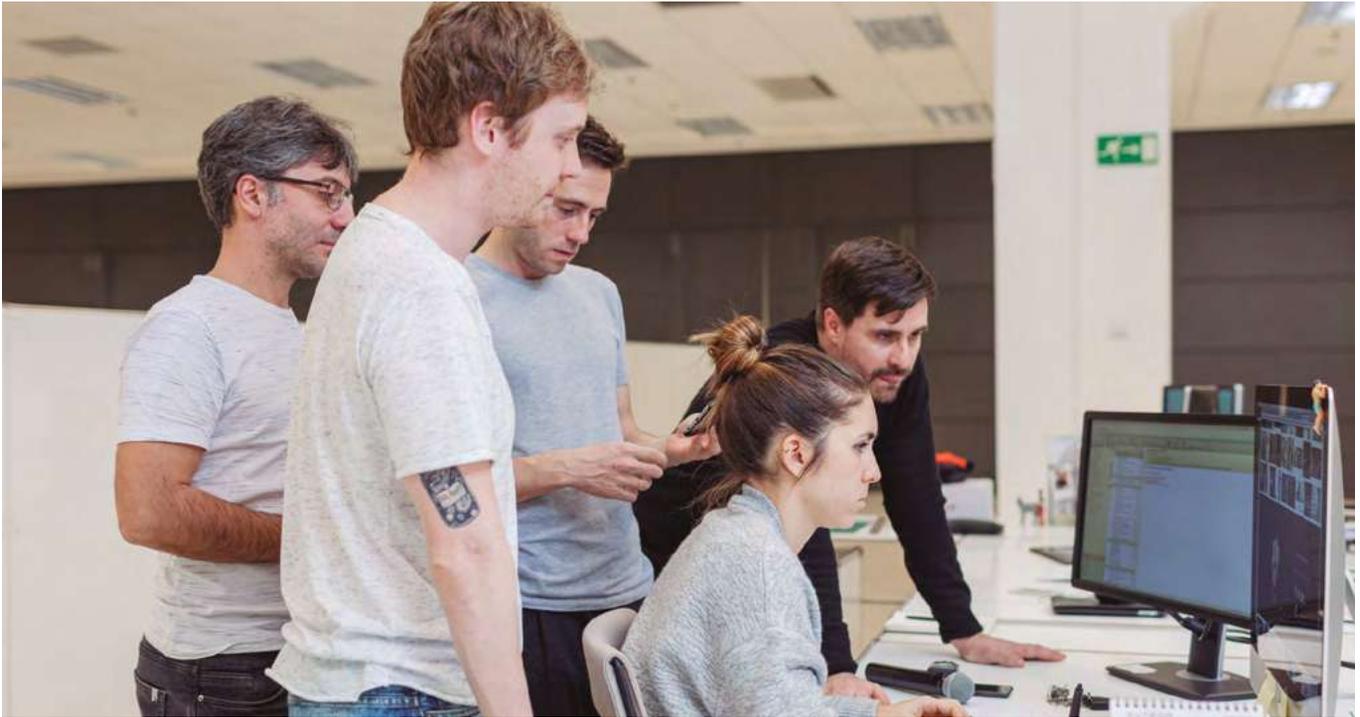
This non-profit organisation is behind the Copenhagen Fashion Summit, an annual event on sustainability in fashion that brings together key players from the industry, multilateral agencies, industry associations, and policymakers to find common solutions to accelerate social and environmental sustainability.

In the 2017 edition, the Global Fashion Agenda called on the fashion industry to commit to circularity by signing the *2020 Circular Fashion System Commitment* (hereafter, the 2020 Commitment) to accelerate the industry's transition to a circular fashion system.

The 2020 Commitment has been signed by 86 companies, representing 12.5% of the global fashion market. Of the 207 targets set by its signatories, almost two-thirds have already been met.

In the same year, Inditex also signed commitments to move towards the circular economy in four areas (design, garment collection, reuse, and recycling). All targets were 100% met by 2020:

- Circularity training for all designers.
- Used clothing collection points in more than 2,000 stores
- Collaboration with more than 40 local NGOs for clothing collection, reuse and recycling.
- 3.5 million USD (3 million €) investment in textile recycling.



CIRCULAR FASHION PARTNERSHIP WITH GFA, BGMEA AND REVERSE RESOURCES

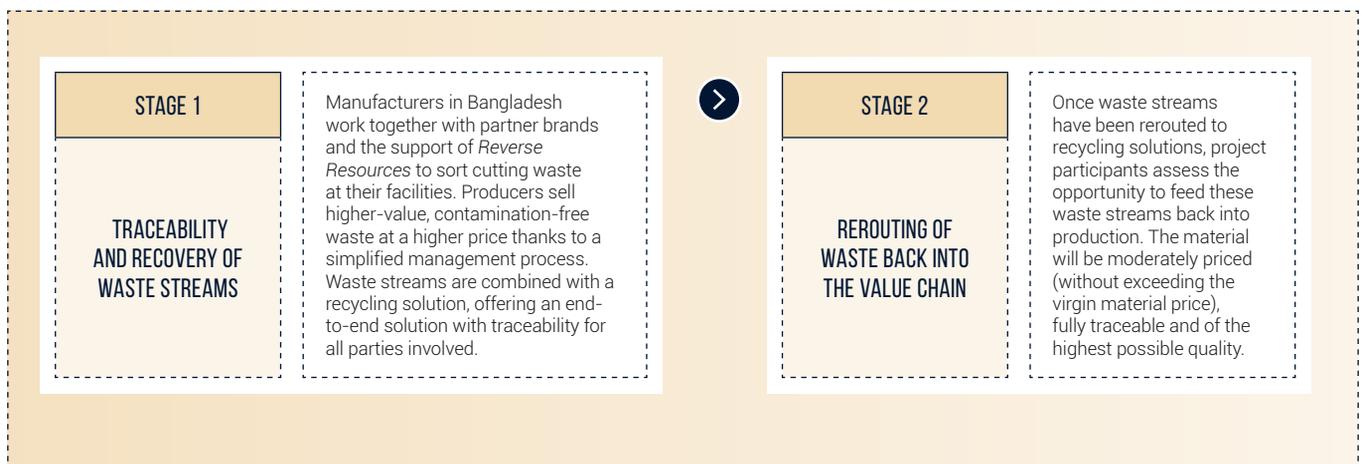
Open partnership to facilitate collaboration between global fashion brands, textile manufacturers and recyclers to develop and implement new systems that feed secondary raw materials back into the production of new fashion products. This project involves two distinct stages: traceability and recovery of secondary raw material streams and closure of the textile product cycle.

Bangladesh accounts for 5-7% of the world's textile production, making it the second-largest textile exporter after China. As a result, the country represents a significant opportunity for textile recycling and the transition to a circular economy.

This context provides a platform for the Circular Fashion Partnership, a cross-sectoral project led by Global Fashion Agenda, Reverse Resources and BGMEA (Bangladesh Garment Manufacturers and Exporters Association), which aims to accelerate the transition to a circular fashion industry by demonstrating a *Circular Fashion Business Case* in Bangladesh in conjunction with P4G.

This project supports the development of the recycling industry in Bangladesh by collecting and channelling secondary raw materials from post-production fashion into the production of new products and finding solutions for the stockpiling of materials.

Our commitment comprises a two-stage workflow:



MAKE FASHION CIRCULAR

Make Fashion Circular unites industry leaders with a common understanding that all materials in the fashion sector (including bio-based materials such as wool or cotton) must first pass through the technical cycles of reuse, repair, reconstruction, and recycling. An increasingly renewable energy and materials-based circular economy is based on three design-driven principles: eliminating waste and pollution, keeping products and materials in use, and regenerating natural systems.

Inditex has been a strategic partner of the Make Fashion Circular initiative since its foundation. The Circular Fibers Initiative was launched in May 2017 at the Copenhagen Fashion Summit before later becoming Make Fashion Circular. This initiative aims to promote collaboration and foster innovation to move the textile sector towards a circular economy.

Under the *Make Fashion Circular* initiative, Inditex has participated in developing a common circular economy framework for fashion, which has been integrated into our strategy. The purpose of this vision, developed with the input of more than 100 experts, is to establish a common language for the fashion industry: *Used more, Made to be made again, and Made from safe and recycled or renewable inputs*. Inditex also participated in preparing a first draft of the *Circular Design Guide for Fashion*, which is currently under review. In addition to this guide, we also helped to develop a Product Design

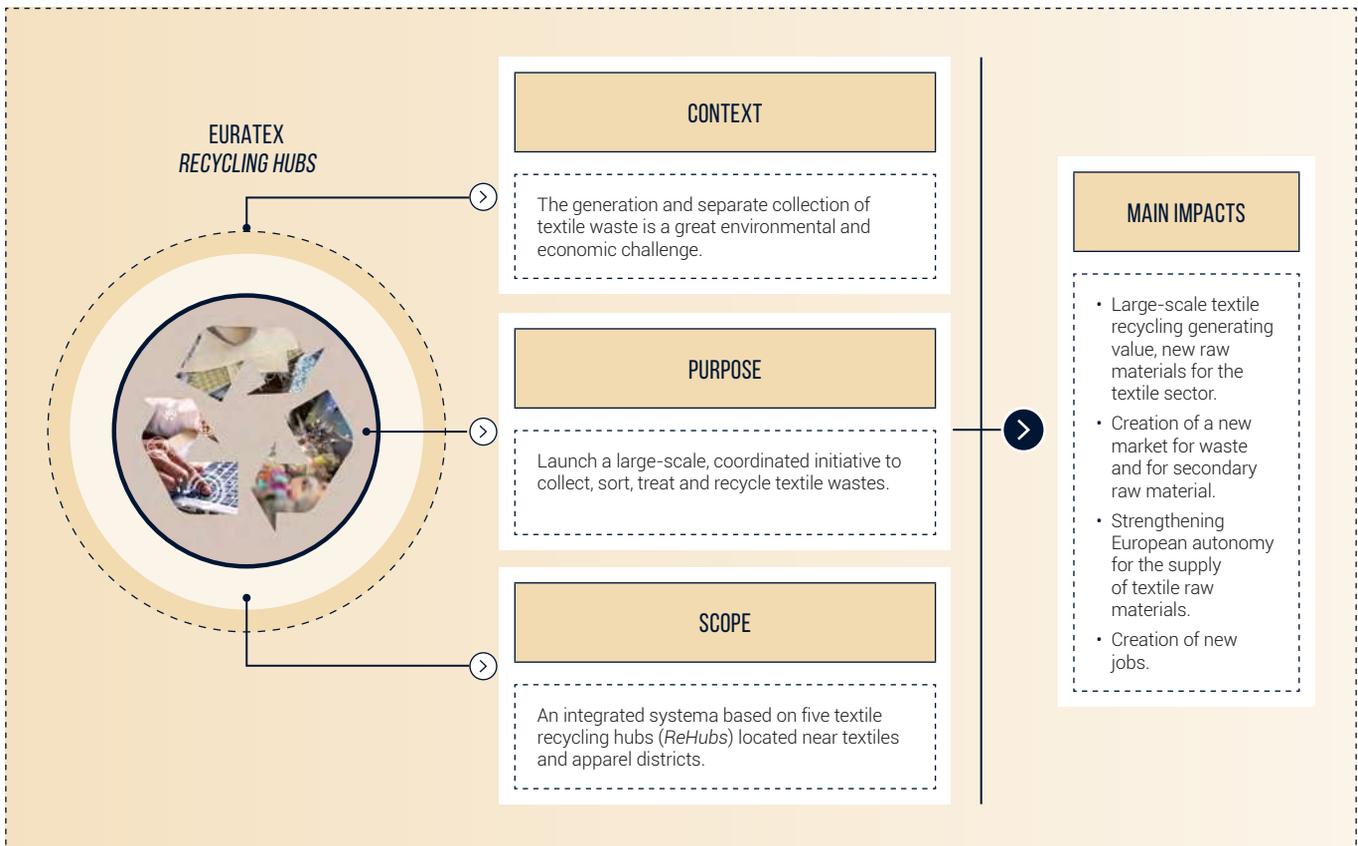
Toolkit designed to provide guidance on how to create a wide range of fashion products in accordance with the principles of the circular economy.

EURATEX RECYCLING HUBS

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 plans an integrated system based on five hubs which work in coordination to process textile waste and generate circular materials in Europe.

Euratex is the European organisation with headquarters in Brussels that represents the European textile and clothing industry. As official voice of the industry, Euratex core goal is to create an environment within the European Union that is conducive to the manufacture of textile and clothing products.

Inditex is supporting Euratex in developing a proposal to create 5 recycling hubs, or *ReHubs*, in Europe to collect, process and recover textile waste. Euratex introduced the proposal to the European Commission in November 2020 with the backing of Inditex and other key European business players. In Spain, Inditex collaborates with the Spanish national federation, Consejo Intertextil Español, to lay down the characteristics, needs and synergy network for the Spanish recycling hub, which is part of the larger European *ReHubs* system led by Euratex.



Establishing *ReHubs* close to Europe's textile and garment districts will offer the benefit of circular economy by recycling textile waste, as a completely new, coordinated and large-scale material stream management process.

The capacity of *ReHubs* to treat large volumes will create economies of scale, justifying the costs associated with existing recycling technologies, as well as investments in new ones, such as chemical and thermal / melt recycling. This will generate new raw materials for the sector's value chain and synergies with other sectors and other European countries.

The *ReHubs* will allow the creation of a new European market for secondary raw materials saving additional costs related to waste. In addition, knowledge about products, recyclability and design will be created and shared for better cooperation between manufacturers and buyers throughout the industry value chain.

In the longer term and successfully overcoming R&D challenges, *ReHubs* will not only address the problem of landfills and incineration, but will also provide an opportunity for Europe to strengthen its autonomy for the supply of raw materials and to create a sustainable textile recycling ecosystem in Europe.

The information management in a coordinated way will be ensured by a newly created digital platform, common to the *ReHubs* and proposed to companies and other operators to facilitate access to information, to give a

new destination to waste materials and / or to buy new materials (one-stop shop concept).

KEEPING WORKERS IN THE LOOP WITH BSR

A global collaborative project that aims to map and explore the impacts on labour, opportunities and quality in the transition to a circular economy model in the fashion industry, with a particular focus on the United States, India and Europe.

Inditex actively participates in this project, supported by the Laudes Foundation and led by Business for Social Responsibility (BSR), in alliance with CMS-Social Impact Specialists and economists from the University of Lincoln, which has the following objectives:

- Research into how the transition to circular fashion could affect job opportunities and quality and the different dynamics in the consumption and production communities.
- Development of future scenarios to explore how circular fashion will be shaped by *macro-level* changes with a high degree of uncertainty, such as automation and climate change.
- Collaboration to create recommendations for fashion industry leaders, policymakers and other key stakeholders to support and promote circular business models that provide decent and inclusive employment opportunities that are resilient to external disruptions.

