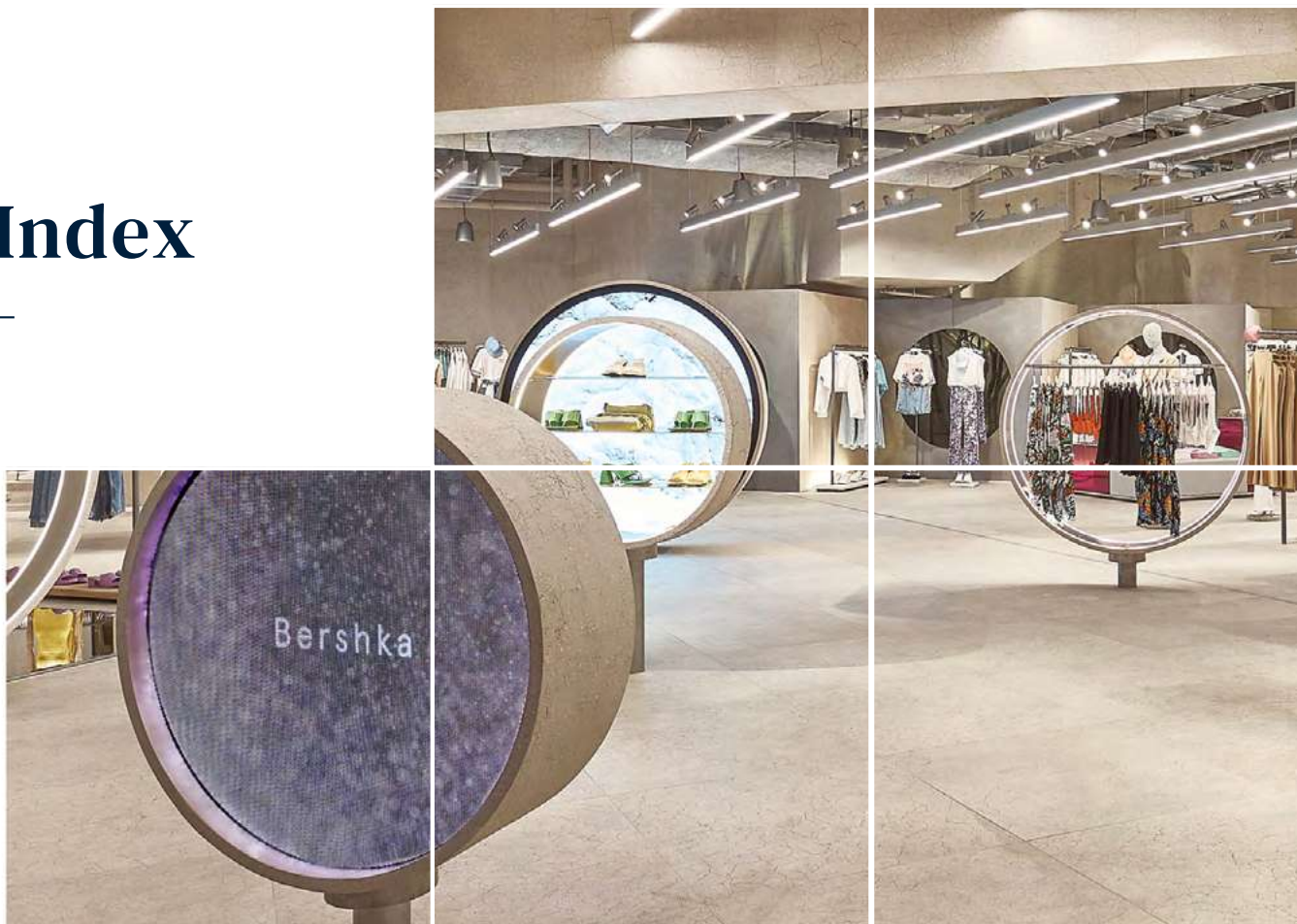


INDITEX

**annual
report
2020**

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About this report

Inditex publishes this Annual Report with the goal of informing all its stakeholders about how Inditex creates value in the short, medium and long term, in line with its commitment to transparency and truthful, relevant and precise communication of information. This Annual Report is presented in the form of an integrated report which is available in printed (pdf) and digital format, and is complemented by the information contained on the corporate website (www.inditex.com) and in the Statement on Non Financial Information (SNFI). The SNFI, included in the Inditex Group Consolidated Management Report, is also accessible at www.inditex.com.

For the preparation of the Annual Report, Inditex has adopted the best and most cutting-edge reporting practices. In 2020, the Annual Report has taken as an additional reference the SASB (Sustainability Accounting Standards Board) reporting framework and, specifically, the disclosures and metrics of the Apparel, Accessories and Footwear sector.

i For more information, please see the section *How we report* of this Annual Report.

Likewise, in line with our commitment to the Task Force on Climate-Related Financial Disclosures (TCFD) announced in the 2019 Annual Report, Inditex has started to incorporate the recommendations of this framework to provide greater transparency on the risks and opportunities of climate change for our Company. This Report includes a specific chapter on our management of climate change risks and opportunities, in addition to a TCFD Index that refers to the relevant related information. Our goal is to continue to make progress in alignment with TCFD in order to fully incorporate its recommendations into future financial years.

i For more information, please see chapter 3.2. *Alignment with the Task Force on Climate-related Financial Disclosures (TCFD)* of this Annual Report.

In the How we Report section of this Report, detailed information is provided on the principles followed by Inditex, and it includes the GRI Content Index - where it is illustrated our Communication on Progress on the UN Global Compact Principles-; the SASB Reference Table; the TCFD Index; and the information on the external assurance process carried out by Deloitte, S.L., which corroborates the appropriateness of the reported GRI Standards application option (In accordance – Comprehensive).

PRINCIPLES UNDERPINNING INDITEX'S ANNUAL REPORT

GRI SUSTAINABILITY REPORTING STANDARDS

- This report has been prepared in accordance with the GRI Standards: Comprehensive option.
- A GRI reporter since 2007.
- GRI Community member.

UNITED NATIONS GLOBAL COMPACT PRINCIPLES

- This Report includes the Communication on Progress contained in the GRI index.
- The most recent Communication on Progress (COP) was rated 'GC Advanced' (the highest level awarded by the Global Compact).
- Global Compact member since 2001.

AA1000 APS (2008) ACCOUNTABILITY PRINCIPLES STANDARD

- This report follows the recommendations of the accountability principles standard AA1000 APS (2008).

INTERNATIONAL <IR> FRAMEWORK PRINCIPLES

- This report follows the criteria prescribed in the Integrated Reporting Framework, since its first pilot in 2011.
- Member of the International Integrated Reporting Council (IIRC) Business Network.

SASB INTERNATIONAL FRAMEWORK PRINCIPLES

- For the first time in 2020, the recommendations of SASB were followed in the preparation of the Annual Report.
- A SASB reference table is included in relation to the Apparel, Accessories and Footwear standard.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

- In 2020, the alignment process with the TCFD recommendations has begun.
- A specific chapter on the risks and opportunities of climate change and its management by Inditex, as well as a TCFD index, is included.



Executive Chairman's statement

2020 was a crucial year for the **Group's transformation strategy**. The model we have been implementing over a number of years, centred around **flexibility, integration** of our unique **store** and our **online** platform and **sustainability** proved its **resilience in unprecedented circumstances**.

Dear friends of Inditex,

Looking back over the long year that was 2020 two thoughts immediately come to mind: first, a deep sense of sympathy for the people affected by the covid-19 pandemic, its victims and their families, whom we must never forget; second, a deep sense of gratitude to everyone who, with their hard work and commitment, gave their best during this crisis.

I would first like to pause to reflect on the commitment and generosity shown by our team at Inditex during the year. I witnessed their steadfast commitment to finding simple solutions to complex problems, and both the small and not so small details of their work contributed to our operational performance. For that, I feel prouder than ever.

I saw our people at their very best, again and again. They were never more visible than when the Company put its entire logistics capabilities to work for the emergency relief effort, establishing an air corridor with China which managed to ship over 177 million tonnes of Personal Protective Equipment between 66 freight aircraft. They were similarly tangible in the imaginative way in which our people resolved situations we have never faced before, reacting with exemplary attitude and initiative.

Beyond the important role played by our team's approach to the Company's performance, 2020 was crucial to the Group's transformation strategy. The model we have been putting in place over a number of years, centred around our unique model which fully integrates stores and the world of online shopping, truly proved its merit.

For Inditex, 2020 - a year in which all of our stores were either closed at one time or had to operate under trading hour or capacity restrictions - can be summed up both by the admirable attitude displayed by all of our professionals and the tremendous responsiveness of our integrated platform. In rising to the covid challenge, the Company's unique business model - characterised by its global, flexible, digitally integrated and sustainable platform - has been strengthened, positioning us well to tackle future challenges.

The contraction in revenue was contained at 24.5%, stripping out currency effects, with online sales registering strong growth of 77% in constant currency to €6.6 billion, firmly positioning Inditex as a leading player in online fashion retailing. Online visits doubled to 5.3 billion in 2020, with 132 million users of Inditex apps worldwide.

Against that backdrop, we posted earnings of €1.1 billion and protected our key business performance metrics: our gross margin was stable, and inventories fell by 9%.

All of which drove strong cash generation, helping to underpin our very strong net cash position of €7.6 billion by the end of the year. That financial strength will allow

Sustainability is embedded in our Company's long term vision

us to invest €2.7 billion by 2022, enabling us to make further progress on our integrated platform strategy and on the differentiation of our premium quality stores, located in world class locations and meeting exemplary sustainability criteria.

Sustainability, is a core component of the Company's long-term vision, and 2020 was a year in which we met some of our key targets ahead of schedule.

For example, we beat our goal for renewable energy consumption across the organisation, which we had set at 65%, delivering a level of 81%. The percentage of garments distinguished for more sustainable processes or materials by our *Join Life* label accounted for more than 35% of all items, compared to a targeted 25%. And we delivered on our promise to complete the rollout of our eco-efficient store programme and used-clothing collection scheme worldwide.

Ahead of us is our pledge to eliminate single-use plastic from customer interfaces and recycle all waste generated in our operations by 2023, and for 100% of the cotton, polyester, viscose and linen used in our products to be sustainable certified by 2025

People lie at the heart of our vision, to which end we reinforced our commitment to the UN's Guiding Principles on Business and Human Rights. We prioritised the health of our customers and our people and we worked closely with our suppliers through the pandemic, upholding all of our purchase commitments, supporting them to implement safety measures and fostering financial support initiatives to carry them through the period.

Meanwhile, we remained committed to providing quality employment, as evidenced by the stable percentage of employees on permanent contracts in 2020. Our tax contribution across our markets was noteworthy, particularly in Spain, where we are headquartered. Our tax contribution totalled €4.7 billion, €1.9 billion of which we paid directly.



We reinforced our community investment effort, which benefitted 3.3 million people in 2020, nearly a million more than in 2019, by way of 703 initiatives to which we contributed €71.8 million.

As I have already stressed, beyond our financial performance in such an exceptional year was the progress in our strategy. All of our brands can be shopped online globally, while the rapid deployment of our integrated stock management system (SINT) enabled us to fulfil €1.2 billion online orders from our stores. Orders that would not have been feasible to fulfil without that system.

The keystone of that transformation is the Inditex Open Platform (IOP), a digital platform created by our engineers that enables many aspects of the Inditex model from our website solutions to stores – through virtual management positioning the Company as a truly digital one. The IOP has been developed in-house using open code so that departments can communicate seamlessly to enable business solutions, which our experts build and layer in to meet specific customer demands. We have therefore become a developer of technology solutions for our own business needs, a factor that will set us apart going forward.

Moreover, digitalisation is playing a key role in our overall sustainability strategy, as a business fully committed to the United Nations Global Compact, its principles and the Sustainable Development Goals. Full integration of stock management, enabled by our digital footprint, is helping us adjust supply to demand more precisely, thereby

helping boost efficiency, thanks to powerful technology tools that are delivering continued financial performance on lower inventory.

Through the coming pages we seek to provide a transparent and detailed account of the progress we have made in all of these areas, ensuring the integrity of the data reported and upholding, in the concluding sections, the principles of the Integrated Reporting framework. 2020 will be a year we will all remember for a long time to come, but I am proud that in a period of unprecedented challenges, our business and our people showed such great resilience, and that gives me real optimism for the years ahead.

Many thanks.

P. Isla

Pablo Isla
Chairman





About Inditex

Milestones 2020

2020 was a year marked by the pandemic and was key to the transformation of Inditex. Our fully-integrated business model has enabled the Company to adapt to this new environment and continue to satisfy customers across more than 200 markets.



In **Spain**, we made the Company's full logistics and procurement capacities available to the health service for the purchase and transportation of health equipment. **Specifically, we transported more than 177 million units of medical equipment** on 66 flights.

We have endorsed the **initiative Covid-19: Action in the Global Garment Industry**, launched by the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union, and supported by the International Labour Organisation (ILO).



More than **5,000 million visits** to our websites

More than **200 million followers** on social networks



Commitment with IndustriALL to work jointly on global recovery plans for the textile industry in the wake of the covid-19 pandemic.



Creation of the **Global Union Committee**, a new coordinating body representing the various **IndustriALL Global Union** members across our supply chain, as well as the Spanish trade unions **CCOO** and **UGT** within our Global Framework Agreement.



We founded the **MIT Climate and Sustainability Consortium (MCSC)**, to fight climate change in collaboration with several companies.

Through the **Sustainability Innovation Hub**, we have launched our first pilot programme focused on chemical recycling.

We surpassed our target of 25% of the garments we put on the market having the *Join Life* label, with **more than 35%** of our garments with this label. We have increased the use of **sustainable cotton by 90%**.

CDP Climate Change Report awarded us, for the 4th consecutive year, an **A- rating** in its climate change programme.

We received the **WDI Supply Chain Data Award**, granted by the Workforce Disclosure Initiative, which promotes **transparency on business practices**, both with own employees and in the supply chain.



We have donated **six million dollars** to our collaboration with **Water.org** providing access to safe drinking water and sanitation for more than 2.3 million people with limited resources in Bangladesh, Cambodia and India.



We renewed our collaboration with **Médecins sans Frontières (MSF)**, allocating a total of **2.5 million euros** to support covid-19 related medical and healthcare activities, provide assistance to refugees and support the MSF Emergency Unit.



703 social initiatives
3.3 million direct beneficiaries
71.8 million euros in social programmes
4.1 million of items donated for social causes



Our alliance with ACNUR to meet the clothing needs of refugees and displaced persons. Under this alliance, Inditex and its suppliers donated more than **875,000 garments** in 2020 to displaced persons in UNHCR camps in **Rwanda** and **Ethiopia**.



Key figures

Outlook and key figures 2016-2020^(*):



Female majority, **generational diversity, horizontal structure, international presence and importance of the store are our defining features.** A workforce in **60 markets** representing **171 nationalities.**

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

Creation of the **Sustainability Committee** of the Board of Directors and approval of the Group's Sustainability Policy.

Global contingency plan to protect our people from the pandemic in our work centres.

Creation of **Well-being Committees** in all the Group's markets, which coordinate actions to improve the quality of life of our employees.

Workers at the centre 2019-2022: Strategy for social management of the supply chain.

+ 1.4 million workers in our supply chain benefit from the strategy programmes in the last five years.

Women play an essential role:

In the 2020 financial year, women accounted for **76% of employees** in the Group and **81% of management** posts.

Programmes related to reducing the environmental impact at the **end-of-life of our products:**

**Zero Waste
Green to Pack
Closing the Loop**



Boost **renewable energies: 81% of electricity consumption** at our facilities (headquarters, logistics centres, and stores) comes from **renewable energy**, thereby meeting our target for 2025.

100% of stores are eco-efficient.

The List, by Inditex programme for improving the quality of the chemicals used in manufacturing is complemented by **The List adhesives**, a list of chemical adhesives from the footwear industry.



(*) last five years

Action plans

Protect

We strive for quality employment, the positive economic impact.

Drive

To increase the skills of our employees; promote digitisation and transform our supply chain.

Develop

Promote the efficient use of resources; foster decarbonisation; increase the use of more sustainable materials and develop our commitment to Human Rights.

Collaborate

We support the communities where we operate, and we maintain alliances and commitments that strengthen our activity.



Our **collections, adapted to the two hemispheres**, are available in 216 markets on **five continents**.

In the last five years:

+57,000 audits of our suppliers and manufacturers

+12,000 traceability audits.

for&from: Social and occupational integration programme for people with disabilities **15 establishments**, more than **200 direct jobs** and over **five million euros** of profit * that completely reverts to the collaborating entities.

Commitments achieved:

Over 25% of garments under the *Join Life* label.

Elimination of plastic bags from store delivery and online orders.

Join Life: Collections made using the **most sustainable raw materials**, manufactured using environmentally-friendly production processes.

More than **28,000 employees trained in sustainability** since 2014.

100% of our designers have been trained in the principles of circular economy.

Investment in the community*. 200,000 young people have gained access to **quality education**; **130,000 people** have received **professional training**; And more than **59,000 jobs generated** from social projects.

More than **16 million garments donated** to social causes * **+255 million euros** in investment to the community **+10 million** direct beneficiaries.

Over **550,000 hours** spent by employees on **social initiatives***.



Inditex in figures, main indicators

a) Economic indicators, evolution over the past five years

	2020	2019	2018	2017	2016
TURNOVER (€ MILLION)					
Net Sales	20,402	28,286	26,145	25,336	23,311
Online sales ⁽¹⁾	32%	14%	12%	10%	N.A.
SALES BY BRAND (€ MILLION)					
Zara (Zara + Zara Home) ⁽²⁾	14,129	19,564	18,021	17,449	16,168
Pull&Bear	1,425	1,970	1,862	1,747	1,566
Massimo Dutti	1,197	1,900	1,802	1,765	1,630
Bershka	1,772	2,384	2,240	2,227	2,012
Stradivarius	1,283	1,750	1,534	1,480	1,343
Oysho	522	604	585	570	509
Uterqüe	75	115	101	97	83
SALES BY GEOGRAPHIC AREA (% OF TOTAL)					
Spain	14.6%	15.7%	16.2%	16.3%	16.9%
Europe (excluding Spain)	48.7%	46.0%	45.1%	44.9%	43.9%
Americas	13.5%	15.8%	15.5%	15.6%	15.3%
Asia and Rest of the World	23.2%	22.5%	23.2%	23.2%	23.9%
TOTAL	100%	100%	100%	100%	100%
FINANCIAL STRUCTURE (€ MILLION)					
Equity attributable to the parent	14,520	14,913	14,653	13,497	12,713
Net financial position	7,560	8,060	6,705	6,387	6,090
PROFIT AND CASH FLOW (€ MILLION)					
EBITDA	4,552	7,598	5,457	5,277	5,083
EBIT	1,507	4,772	4,357	4,314	4,021
Net profit	1,104	3,647	3,448	3,372	3,161
Net profit attributable to the parent	1,106	3,639	3,444	3,368	3,157
Cash flow	3,864	6,695	4,378	4,411	4,406
FINANCIAL AND MANAGEMENT RATIOS					
ROE (Return on equity)	8%	25%	24%	26%	26%
ROCE (Return on capital employed)	10%	32%	31%	33%	33%
COMMERCIAL PRESENCE					
Number of markets	216	202	202	96	88
Number of stores	6,829	7,469	7,490	7,475	7,292
Average store area (in m ²)	707	681	662	634	605
Total retail area (in m ²)	4,826,566	5,086,732	4,962,081	4,739,427	4,410,896
HEADQUARTERS EFFECT					
Supplier invoices Spain (€ million)	4,221	5,140	5,248	5,177	4,629
Number of suppliers in Spain ⁽³⁾	6,384	7,098	7,220	7,185	7,240

(1) Percentage of online sales over total sales.

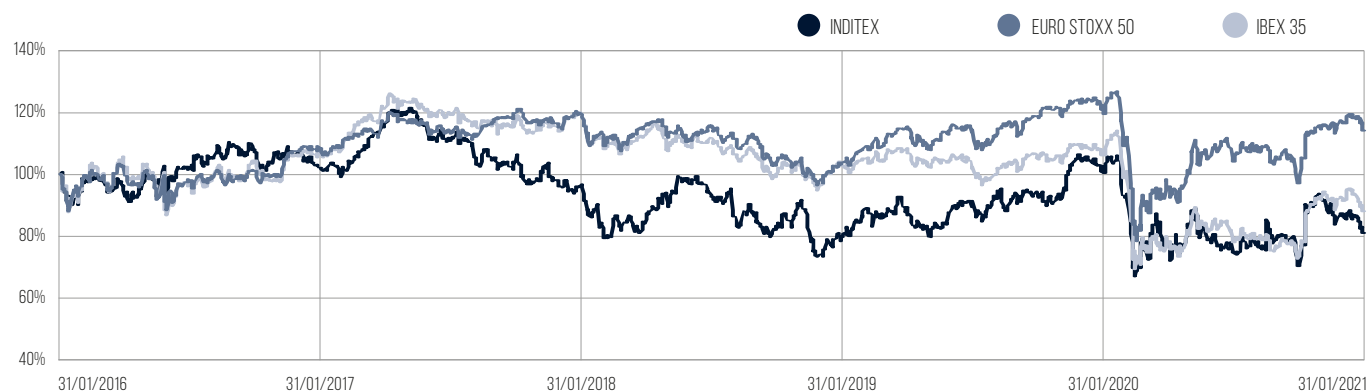
(2) Zara Home sales for all years are consolidated with Zara sales.

(3) Suppliers of both textiles and general services in Spain.

Tax contribution (€ million)

	2020	2019	2018	2017	2016
TOTAL CONTRIBUTION INDITEX	4,689	6,749	6,166	5,959	5,647
Own taxes	1,916	3,040	2,764	2,712	2,515
Taxes collected	2,773	3,709	3,402	3,247	3,132
TOTAL CONTRIBUTION SPAIN	1,201	1,874	1,692	1,613	1,616
Own taxes	620	1,049	928	1,010	870
Taxes collected	581	825	764	603	746
TOTAL CONTRIBUTION EUROPE (EXCLUDING SPAIN)	2,562	3,398	3,168	3,043	2,781
Own taxes	691	1,023	988	878	844
Taxes collected	1,871	2,375	2,180	2,165	1,937
TOTAL CONTRIBUTION AMERICAS	534	943	760	753	729
Own taxes	357	623	489	479	481
Taxes collected	177	320	271	274	248
TOTAL CONTRIBUTION ASIA AND REST OF THE WORLD	392	534	546	550	521
Own taxes	248	345	359	345	320
Taxes collected	144	189	187	205	201

Stock market evolution



	2020	2019	2018	2017	2016
DIVIDENDS	0.70	0.35	0.88	0.75	0.68

Stock market information

Inditex shares closed the 2020 financial year on 31 January 2021 at €24.49 per share. The average daily trading volume was approximately 4.9 million shares in the year to that date. Inditex's market cap stood at €76.3 billion at the end of the period, up 733% on 23 May 2001, when its shares were admitted to trading, while the Ibx 35 fell by 19% in the same period.

Dividends

In November of 2020, a dividend of 0.35 euros per share corresponding to 2019 was distributed to shareholders.

In 2020, a total of €1.1 billion was paid to shareholders as a dividend for 2019.

The Board of Directors of Inditex will propose to the General Shareholders' Meeting a dividend of €0.70 per share for 2020. It will be composed of an ordinary dividend of €0.22 and an extraordinary dividend of 0.48 euros per share. The dividend consists of two equal payments of €0.35 per share, first payment was made on 3 May 2021 and the second one will be made on 2 November 2021.

Inditex maintains its dividend policy, which combines 60% of ordinary *payout* and extraordinary dividends. The remaining €0.30 in extraordinary dividends will be paid in financial year 2022.

b) Environmental and social indicators, evolution over the past five years

	2020	2019	2018	2017	2016
ECONOMIC AND SOCIAL DEVELOPMENT OF WORKERS AND THE INDUSTRY INDICATORS					
Number of Workers at the Centre programmes ⁽¹⁾	38	45	34	26	25
Number of workers benefiting from the activities developed under Workers at the Centre	1,224,557	1,472,719	994,154	651,464	346,180
Suppliers and factories reached by the activities developed under Workers at the Centre	1,374	1,597	594	487	152
CIRCULARITY INDICATORS					
Stores in the Closing the Loop Programme	100% ⁽²⁾	31%	18%	8%	5%
Garments collected in the Closing the Loop Programme (in tonnes) ⁽³⁾	13,043	15,321	14,825	12,231	7,071
Products recovered for recycling (in tonnes)	16,871	21,298	19,247	18,421	16,848
MINIMISING THE ENVIRONMENTAL IMPACT ACROSS THE VALUE CHAIN INDICATORS					
Global energy consumption (GJ)	4,574,536	6,814,610	7,088,858	6,845,665	6,674,201
Relative energy consumption (MJ/m ²)	593	855	943	967	998
Group energy needs covered with renewable energy (%)	81%	63%	45%	41%	30%
Scope 1 + 2 emissions (T CO ₂ eq)	120,992	350,101	508,012	490,459	561,001
kgCO ₂ eq per m ² (Scope 1 + 2)	16	44	68	69	84
% of eco-efficient stores over total Group own stores	100%	93%	86%	79%	72%
SUSTAINABILITY OF OUR PRODUCTS INDICATORS					
Garments placed on the market (in tonnes)	450,146	545,036	528,797	511,151	446,759
Join Life garments placed on the market (% of total)	38%	19%	9%	5%	3%
More sustainable cotton: Organic, BCI and recycled (in tonnes)	73,874	38,676	18,851	NA	NA
Recycled polyester (in tonnes)	9,594	5,332	1,881	NA	NA
Sustainable linen (in tonnes)	1,245	1,813	266	NA	NA
Sustainable viscose (in tonnes)	8,379	6,692	3,178	NA	NA
Degree of compliance of GtW and StW standards	98.3%	97.4%	97.4%	97.6%	97.1%
PICKING PROGRAMME ⁽⁴⁾					
Inspections	42,856	56,352	63,420	59,687	51,619
Garment analyses	744,404	899,046	933,980	756,265	619,854
SUSTAINABLE SUPPLY CHAIN MANAGEMENT INDICATORS					
Product suppliers with purchase during the financial year ^{(5) (6)}	1,805	1,985	1,866	1,824	1,805
Factories declared by suppliers ^{(5) (7)}	8,543	8,155	7,235	7,210	6,959
Rejected suppliers	44	56	50	64	76
Audits of suppliers and manufacturers ⁽⁸⁾	11,997	12,215	12,064	11,247	10,833
TOTAL NUMBER OF SUSTAINABILITY TEAM MEMBERS					
External	5,422	6,204	4,774	4,756	4,996
Internal	215	200	151	145	135

(1) Main programmes carried out in the field.

(2) Stores located in markets where the initiative cannot be implemented due to local laws or context are excluded.

(3) The data for 2018, 2017 and 2016 have been updated with respect to their respective Annual Reports, including reports that were not available at the time of drafting these reports.

(4) Until 2017, analysis and testing for Tempe articles were not included

(5) Since 2019 the scope of the information compiled has been extended to include information on non-textile articles suppliers. Therefore, the information for the 2018, 2017 and 2016 financial years is not comparable.

(6) Suppliers of fashion items with production volumes of over 20,000 units/year in the 2020 spring/summer and autumn/winter campaigns. Suppliers producing less than 20,000 units account for 0.33% of overall production.

(7) Factories declared by suppliers in the manufacturer's management system for orders in 2020.

(8) In 2020, traceability, pre-assessment, social, special and environmental audits are included. In previous years, environmental audits are not included, as the modification made in the *Green to Wear* standard does not allow their comparability.

	2020	2019	2018	2017	2016
CORPORATE COMMUNITY INVESTMENT					
Corporate community investment (in euros)	71,803,602	49,231,909	46,218,895	48,129,552	40,042,744
Number of direct beneficiaries	3,313,581	2,441,300	2,425,639	1,584,446	1,584,446
Number of community organisations supported	439	421	413	409	367
Number of community investment projects implemented	703	670	622	594	519
Number of garments donated to social causes	4,114,490	3,164,084	3,225,462	3,673,993	2,083,980
Number of hours spent by employees on community activities during working hours	178,035	122,284	118,077	73,457	64,327
OUR PEOPLE					
Percentage of women / men	76% / 24%	76% / 24%	75% / 25%	75% / 25%	76% / 24%
Number of nationalities	171	172	154	153	147
Average employee age	30.1	28.9	28.7	28.7	28.4
Number of employees	144,116	176,611	174,386	171,839	162,450
TYPE OF CONTRACT					
- Permanent	87%	77%	73%	73%	80%
- Temporary	13%	23%	27%	27%	20%
TYPE OF WORKING DAY					
- Full-time	72%	47%	51%	50%	39%
- Part-time	28%	53%	49%	50%	61%
EMPLOYEES BY ACTIVITY					
- Stores	86%	87%	87%	87%	87%
- Logistics	6%	6%	5%	5%	5%
- Manufacture	1%	1%	1%	1%	1%
- Central Services	7%	6%	7%	7%	7%





Retail formats



ZARA

Throughout the year, Zara has incorporated new product categories through launches, including The Female Gaze -its first lingerie collection- that offers an empowering perspective of the notion of intimacy; *The Essential Collection*, timeless pieces of high-end jewellery; and the nostalgic collection **Archive**, which retrieves and reinterprets pieces from collections created in previous years and brings them into the present.

Other notable collections are **ZARA WO(MAN)**, which unifies styles in search of perfect *minimal* wardrobe staples for women and men, as well as various capsule collaborations such as those created by the *Pantone Color Institute* or with *The Josef and Anni Albers Foundation*, members of the Bauhaus School.

For the third consecutive year, **ZARA SRPLS** renews its commitment to a more functional and contemporary wardrobe. And the Join Life collections, present in all sections, have now arrived in perfumery with the launch of a collection of unisex fragrances.

www.zara.com


14,129
net sales (€ million)


212
markets


106.1 M
Social media
followers


3500 M
Websites visits



PULL&BEAR

Pull & Bear began 2020 by accompanying its digital community through **#StayInPullAndBear**, which brought its content followers closer to the world's most relevant names in music, digital trends and urban art. In addition, as part of its partnership with **Primavera Sound**, the brand gave life to *Pull & Bear Sounds*, the concert programme on social networks that brought its followers close to different international artists.

Through collaborations with musical talents **Lunay and Nicki Nicole**, as well as collections inspired by **TATE, Smiths Law, Stranger Things** or **The Paper House** the brand has strengthened its link with the world of art, music and entertainment.


In addition, Pull & Bear paid tribute to all of its *staff* around the world through the **"Our People, Our Soul" campaign**, where the workers themselves modelled the season's collection preview. The FW20 collection was unveiled through a **virtual fashion show**, in line with current visual trends.

The commitment to sustainability is another of the key areas that has marked this financial year, in which Pull & Bear has prioritised the production **Join Life**.

www.pullandbear.com


1,425
net sales (€ million)


215
markets


22.9 M
Social media
followers


420 M
Websites visits



Massimo Dutti

Massimo Dutti presented the **Movement Study. The FW20 Limited Edition Collections Men & Women**, an initiative that represents a further step in the brand's journey in organising fashion shows marked by creativity and technology. The brand maintains a strictly defined artistic concept and a creative discourse based on the principles of quality, exclusivity and coherence, which are inherent to the DNA of the firm.

The commercial accent in 2020 is placed on **Capsule Collections**, whose common denominator is cities and which combine the firm's essence - simplicity, exclusivity and minimalism. New **Join Life** collections have also been launched, which strengthen the brand's responsibility for the environment and sustainability.

Once again, in all collections, everything connected to **daily wear** takes on a leading role: Distinctive, classy and easy-to-wear pieces that stylishly complement each other.

www.massimodutti.com



1,197

net sales (€ million)



215

markets



12.1 M

Social media
followers



131 M

Websites visits



Bershka

Bershka continues to unite the world of music and fashion by co-creating capsule collections with global artists such as Billie Eilish and Conan Gray. It also has an alliance with the **NBA** through the **Stay Unite** collection, with Join Life garments inspired by **street style** and American **sportswear**.

The **more sustainable collections** also stand out, with projects such as **Hack Denim**, with unique pieces made 100% from garment waste and offcuts and with the **Join Life Re-Made** label, and **B3**, a timeless, unisex collection.

Another notable milestone is the approach to the world of **gaming** through a collaboration with the *Top Gamers Academy* television programme, as well as the **Manga** aesthetic collections, with licences such as *Sailor Moon* and *Dragon Ball*.

www.bershka.com



1,772

net sales (€ million)



215

markets



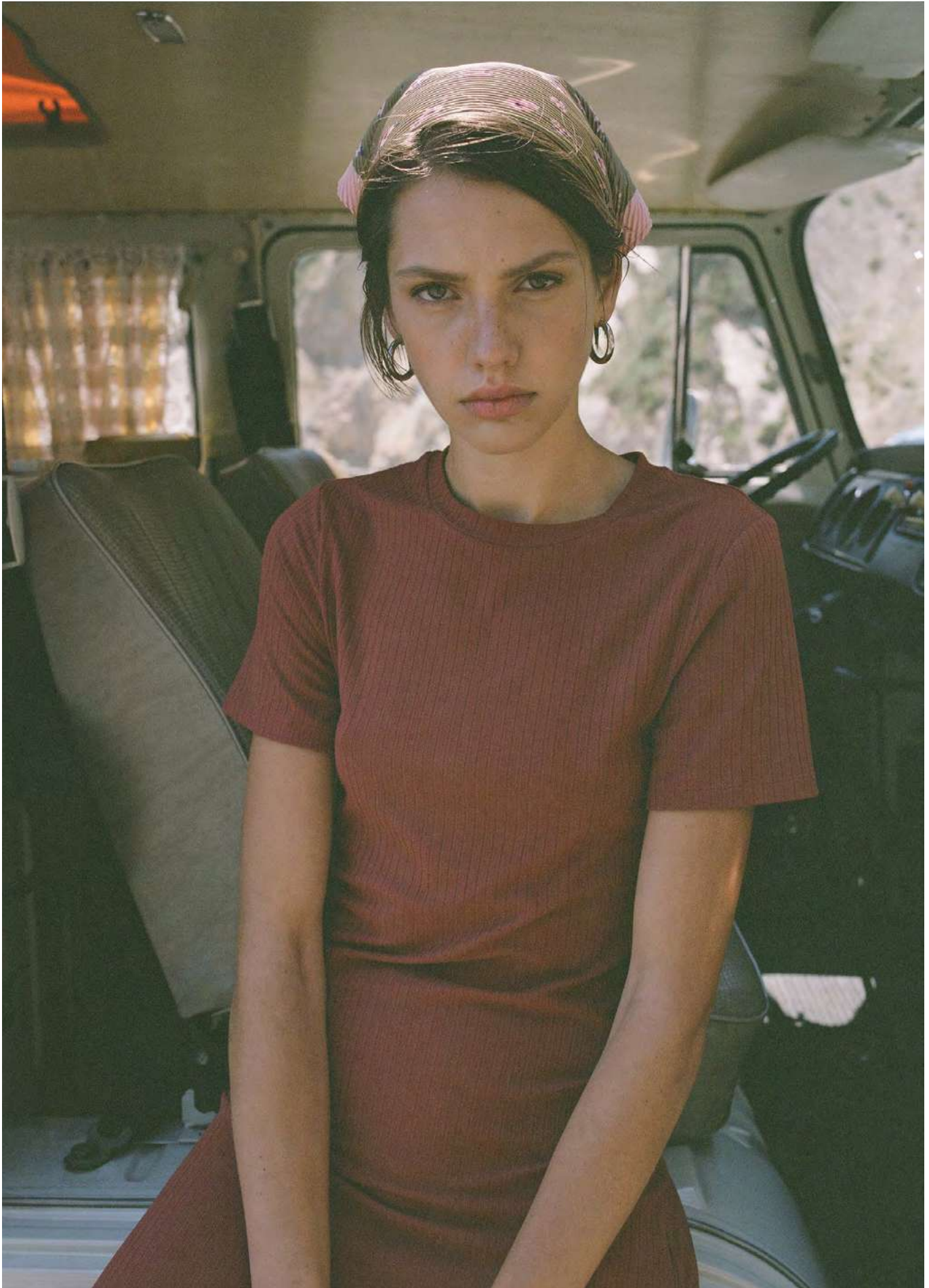
23.3 M

Social media
followers



451 M

Websites visits



Stradivarius

In early 2020, Stradivarius launched **Music To Stay Home**, a musical talent support project. A little later **Dress To Go Nowhere** arrived on the scene, an action that managed to give a boost to fashion through the creation of content from home. Both campaigns managed to personalise the brand and connect it with its audience at such an unprecedented and special time.

New ways of shopping have also been explored thanks to **Stradishoppers TV**, the live stream shopping channel that transformed online shopping into **OnLive** shopping. The brand closed the year with a positivism message with **Just Be You Always You** and recovering the tradition of writing postcards with **#APostcardTo**. Danna Paola, in her role as the year's ambassador, added the trendy touch to Stradivarius while maintaining the brand's female image.

www.stradivarius.com


1,283
net sales (€ million)


215
markets


13.9 M
Social media
followers


399 M
Websites visits



OYSHO

OYSHO continues to focus on the world of sport through its collections and its **Train With Us** training programme, which offers free online sessions of active yoga and functional training, both on its website Oysho.com and on its social networks.


In addition, during the summer months, it has offered outdoor training in several European cities, with a team of ambassadors from various sporting disciplines. It also continues to collaborate with the *Women's Race* in Spain and the *Race for the Cure* in Greece and Italy.

Join Life sustainable garments have accompanied all collections, especially in the swimwear line, designed with recycled polyester and polyamide. The launches of **new product categories**, such as the meditation collection or the first line for personal care *Self Care*, as well as collaborations with international brands such as Bala, SiSeN, Foreo and Glacce, are also noteworthy.

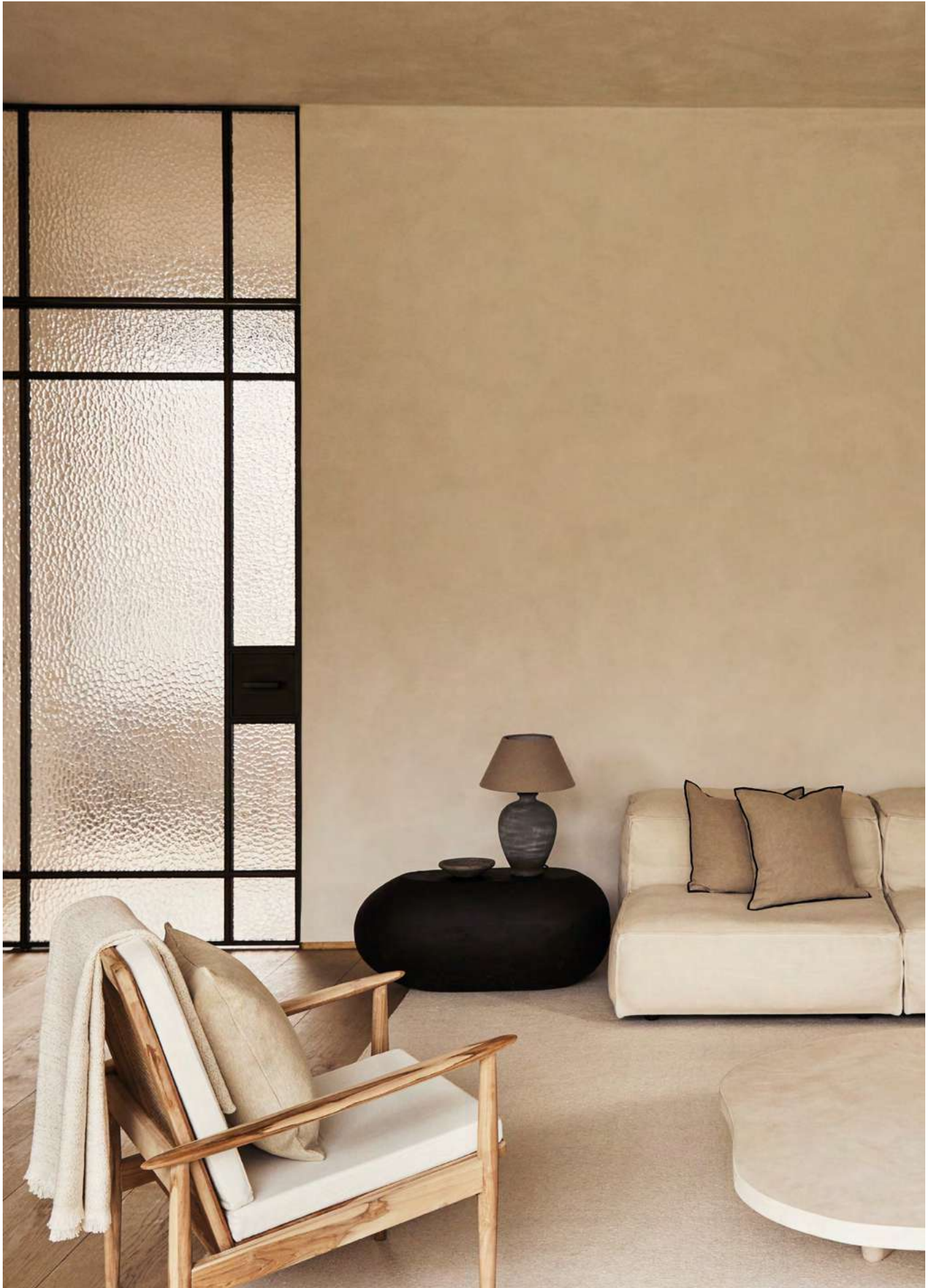
www.oysho.com


522
net sales (€ million)


215
markets


10.1 M
Social media
followers


116 M
Websites visits



Z A R A H O M E

Zara Home continues to inspire customers to decorate their homes, with a **timeless style and organic textures and shapes** that are committed to the quality of materials and their durability. Its collections are designed to cover everyday household needs, with **new specific categories** for the kitchen, a special edition of painting and music, and even a collection for pets. The new collection of wooden furniture is also noteworthy, which is combined with cashmere blankets and *vintage* textured objects.

In its FW20 campaign, the brand stepped into the world of surrealism with a highly cinematic campaign featuring the iconic actress Charlotte Gainsbourg. **Exposure** is a short film written and directed by Fabien Baron, which relates the story a photographer -interpreted by Gainsbourg- who documents her day in an almost obsessive search for herself. Her home is the testimony of her search, the cold shadows on bed linen contrast with the warmth of materials such as velvet and linen.

www.zarahome.com



INTEGRATED IN ZARA
net sales (€ million)



215
markets



9.9 M
Social media
followers



169 M
Websites visits



UTERQÜE

Uterqüe's commitment remains true to its contemporary and avant-garde aesthetics. Within this constant evolution and innovation, the brand has presented revealing collections such as **IN/OUT**, which changes the way of understanding the daily wardrobe through a concept that allows us to move from house to street without changing clothes. The fusion of fashion and cosmetics is also being promoted thanks to the partnership with cosmetic firm **Bobbi Brown**, which completes the brand's constantly original proposal through bags and leather vanity cases with the brand star products.

www.uterque.com



75

net sales (€ million)



215

markets



1.1 M

Social media
followers



30 M

Websites visits



Business model

Sustainable business model

The Inditex business model, characterised by **integration, sustainability** and **innovation** in all phases of the value chain aims to meet our customers' expectations and offer them **quality fashion** with the highest standards of **sustainability and product health and safety**.

The execution of this business model, and the exercise of our activity as a Company in itself, are based on a series of **action principles** validated and endorsed by the Board of Directors of Inditex, as well as a series of **values** that define our corporate culture.

With them, and by virtue of the transparency and constant dialogue with our **stakeholders**, we work to promote **Human Rights**, the **Sustainable Development Goals** and, in a special way, the **creation of value** and the generation of **positive impact** on society.

ZARA PULL&BEAR Massimo Dutti Bershka Stradivarius OYSHO ZARA HOME UTERQUE

Corporate values

- Flexibility
- Proactiveness
- Diversity
- Creativity
- Nonconformity
- Environmental Awareness
- Respect for Human Rights
- Contribution to Sustainable Development

Guiding principles

- Human Rights Policy
- Diversity and Inclusion Policy
- Corporate Citizenship Policy
- Procurement Policy
- Tax Strategy Policy
- Sustainability Policy
- Compliance Policy
- Criminal Risk Prevention Policy
- Health and Safety Policy
- Sustainability Roadmap
- Code of Conduct for Manufacturers and Suppliers
- Code of Conduct and Responsible Practices

Stakeholders

					
Customers	Employees	Suppliers	Community	Environment	Shareholders

Customers

Listening to our customers is the starting point of an essential activity to know what products they require and offer them at the right time and place. Only with the proper blending of these three elements (*listening – identification of needs – offer*) can the customer have the best purchasing experience.

Value chain

Our business model is characterised by the integration of all phases of the value chain, allowing quick decision-making and constant adaptation to operational reality. As a result, we manage the Company with a low level of inventory.

Human Rights

For the promotion and respect of Human Rights in all areas of our activity, Inditex has a strategy based on the Guiding Principles on Business and Human Rights.

Contribution to Sustainable Development

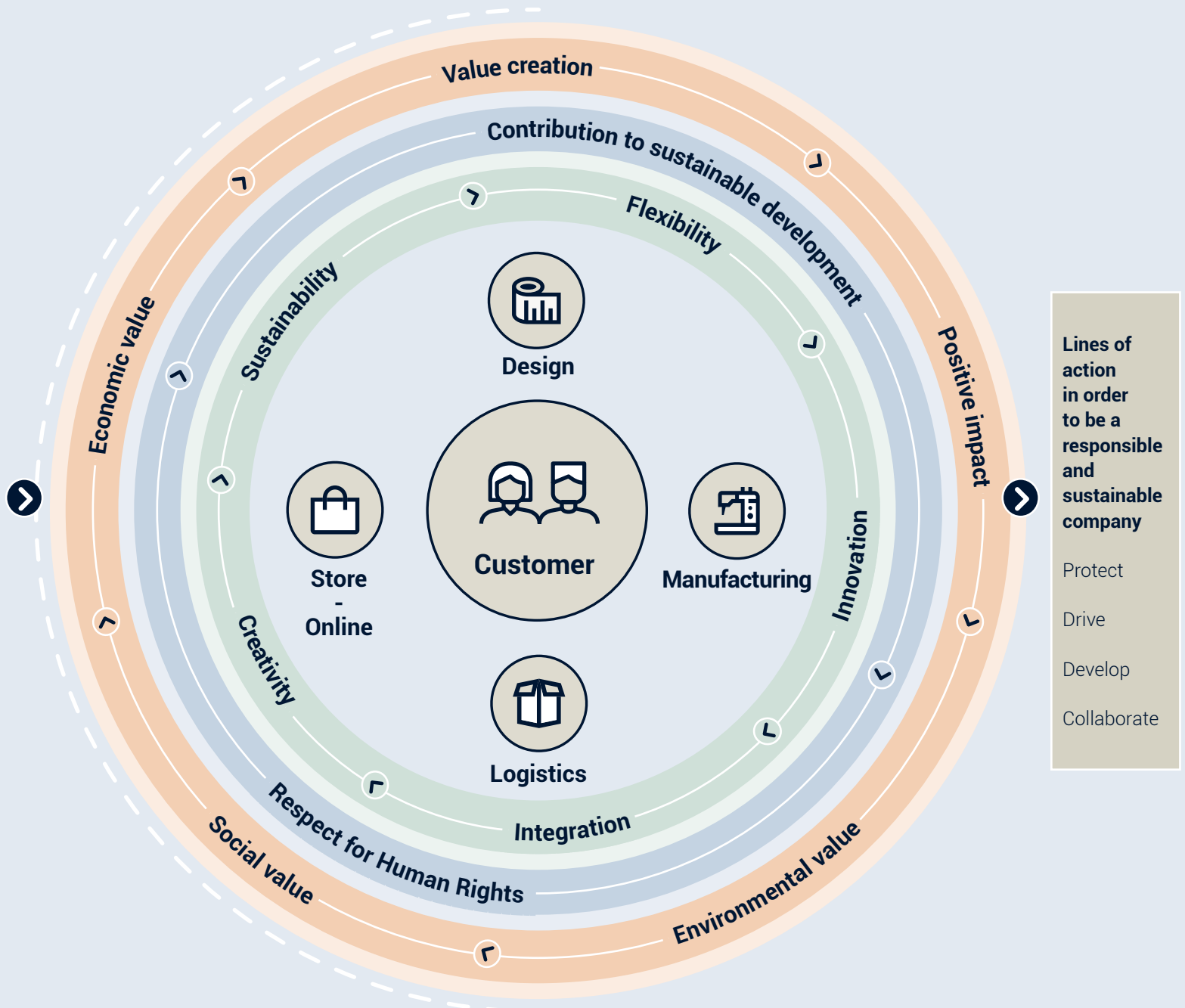
Our commitment to the Sustainable Development Goals of the 2030 Agenda is even more relevant in the current context. The SDGs will be fundamental in the recovery of the economy and society after the pandemic.

Creating value

At Inditex, our commitment to creating economic, social and environmental value for our stakeholders, generates a positive impact and contributes to the development of society and care for the planet.

Positive impact

We regard sustainability as a means to achieving a fairer society and in balance with the limits of the planet. A context where, as a responsible company, we move forward together with our stakeholders.



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

Inditex Group (hereinafter, the "Group") is made up of **eight commercial formats**: Zara, Zara Home, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe. Each brand has its own distinct personality, style and design team, with an integrated and directly managed sales model across physical and online stores. We are present in more than **200 markets** on the five continents.

 More information on the markets where we operate in the *Consolidated directors' report of the 2020 Financial Statements*.

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

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

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

Over time, we have developed a unique business model characterised by flexibility, integration, sustainability, creativity and innovation. Key to our management is the ongoing, centralised analysis of information on business development. It allows for agile decision-making, with decisions adapted to the business reality, with the potential for ongoing adaptation to the operational reality, whether due to shifting trends or changes in the environment. Because we have an active presence at all stages of the value chain, including design, production,

logistics, stores and customers, we can ensure these ongoing changes are implemented globally.

This integrated business model gives us a unified view of our customers, and guarantees a uniform shopping experience, offered to them via the multiple touchpoints. Our strategy is based on **digitalisation** (including the adoption of new data acquisition and analysis capabilities), **differentiating our commercial space** (allowing us to integrate new technological tools), and **sustainability** (with the aim of contributing to the wellbeing of all our stakeholders) and has been key for our performance in 2020.

Due to the emergence of the pandemic and its social and economic consequences, the year 2020 posed a challenge in terms of constant adaptations. To confront this situation, our actions have been centred on protecting the health and well-being of our employees, customers, supply chain workers, and all the people who provide us (directly or indirectly) with the goods or services required for the business to operate, introducing preventive measures or the appropriate mitigation efforts, where necessary. The constant evolution of restrictions on mobility, opening hours, store capacity, etc., have required continuous efforts to update in all the markets in which we operate.

The **main initiatives** linked to protecting people in response to the global challenges arising from covid-19 are as follows, and are developed further throughout this Annual Report: protecting our people's health and safety; safeguarding permanent employment; protecting the workers in our supply chain; implementing measures in retail areas; drive an immediate response in communities and a sustainable recovery with actions such as logistical support or donations, among others.

In such an environment, the agility of our decision-making process and the **flexibility of our business model** have allowed us to operate normally. We have forged ahead with digitisation in recent years, with the implementation of RFID technology-based tools connected with our integrated stock management system (SINT), allowing strong sales growth through the online channel, with online orders processed using stock located in physical stores. The coordination of all the phases of our value chain also allows us to operate with low inventory levels and to minimise leftovers at the end of the season. This is, therefore, a clearly differentiating factor of our business model compared to the rest of the sector.

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



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

a) Design

The creative process starts with more than 700 designers across all our brands: a significant added value in the Inditex business model. They are part of the commercial

teams, who are responsible for in-depth analysis of our customers' preferences, and they represent the first level of the Company's commitment to sustainability, selecting the most suitable processes and materials for our products. These endeavours are embodied in our collections, that constantly incorporate new products over the course of the season; in the window displays; and in the digital content we published over the course of the financial year, unique in the fashion world. Our stores and online teams are in constant contact with our team of designers through the Product Management



Our actions to confront the pandemic have centred on protecting the health and well-being of our employees, our customers, supply chain workers, and all the people involved in the running of our business.

Department, and this combined with our capacity to react means we can capture customers' preferences at all times. The active work we do in searching out and promoting increasingly sustainable materials and production processes also contributes to raising quality standards and making progress on the circular economy model.

b) Manufacturing and supply

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

c) Logistics and distribution

This stage is adapted to commercial decisions on an ongoing basis, a level of flexibility that has proven essential to our performance in the context of 2020. Each brand has its own centralised logistics centres where stock is held and dispatched to stores and online stockrooms all over the world. This efficient integration of our online/store operations throughout the storage, transport and distribution processes is possible thanks to tools including our proprietary inventory management system based on the radio frequency identification (RFID)

of each and every garment. This way, our customers will ultimately be able to make their decisions in their preferred environment - online or brick-and-mortar store - and enjoy an integrated shopping experience with ongoing technological innovations tailored to their needs.

d) Online

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

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



Our digital integration process, which has been under development in recent years, has gained the most momentum in the historic moment we find ourselves in.

perspective but also taking a holistic approach, on top of our commitment to sustainability, to drive a potential exit and address the socio-economic consequences of the outlook the pandemic has caused.

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

Our business model has been shaped by our objective of mitigating the risk stemming from operating in a sector characterised by the dynamic shifts in the trends our customers seek. This is why **risk management** is inherent to our business model, and directly addresses the precautionary principle throughout our value chain, the responsibility of which falls to each and every member of the Group. This precautionary approach with which the Group works across its entire business model allows it to manage the different risks identified during the planning of its operations and the development and marketing of new products. The development of our business is exposed to financial, geopolitical, technological, environmental, social and governance risks. Systematic identification, assessment, recording and monitoring processes have been established with the aim of ensuring the best possible management in our attempt to achieve our objectives, based on the tolerance levels established by Senior Management. Risk management is a continually evolving process: many threats are emerging, and we must try to anticipate their potential impact. Our Integrated Risk Management System, described in Section E of the Annual Corporate Governance Report, is issued by the Board of Directors and focuses on standards aimed at managing various scenarios.

In parallel, we have a **robust Compliance System** at Inditex, more specifically, a corporate governance structure that ensures compliance with the standards, recommendations and best practices in this area. Our **corporate governance system** is designed to promote the Company's proper, transparent and sustainable management. We can therefore achieve maximum

competitiveness and generate confidence amongst our shareholders, investors and all other stakeholders, with honesty and integrity at the core.

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

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

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



For more information, see section 1.6.3. *Good Corporate Governance*, from the 1.6. *Robust Compliance architecture* chapter of this Annual Report.



A woman with long dark hair, wearing a light-colored blazer and jeans, is looking at a brown garment hanging on a black metal rack in a clothing store. The background shows other clothing items and store lighting.

Lines of
action in
order to be a
responsible
and
sustainable
company

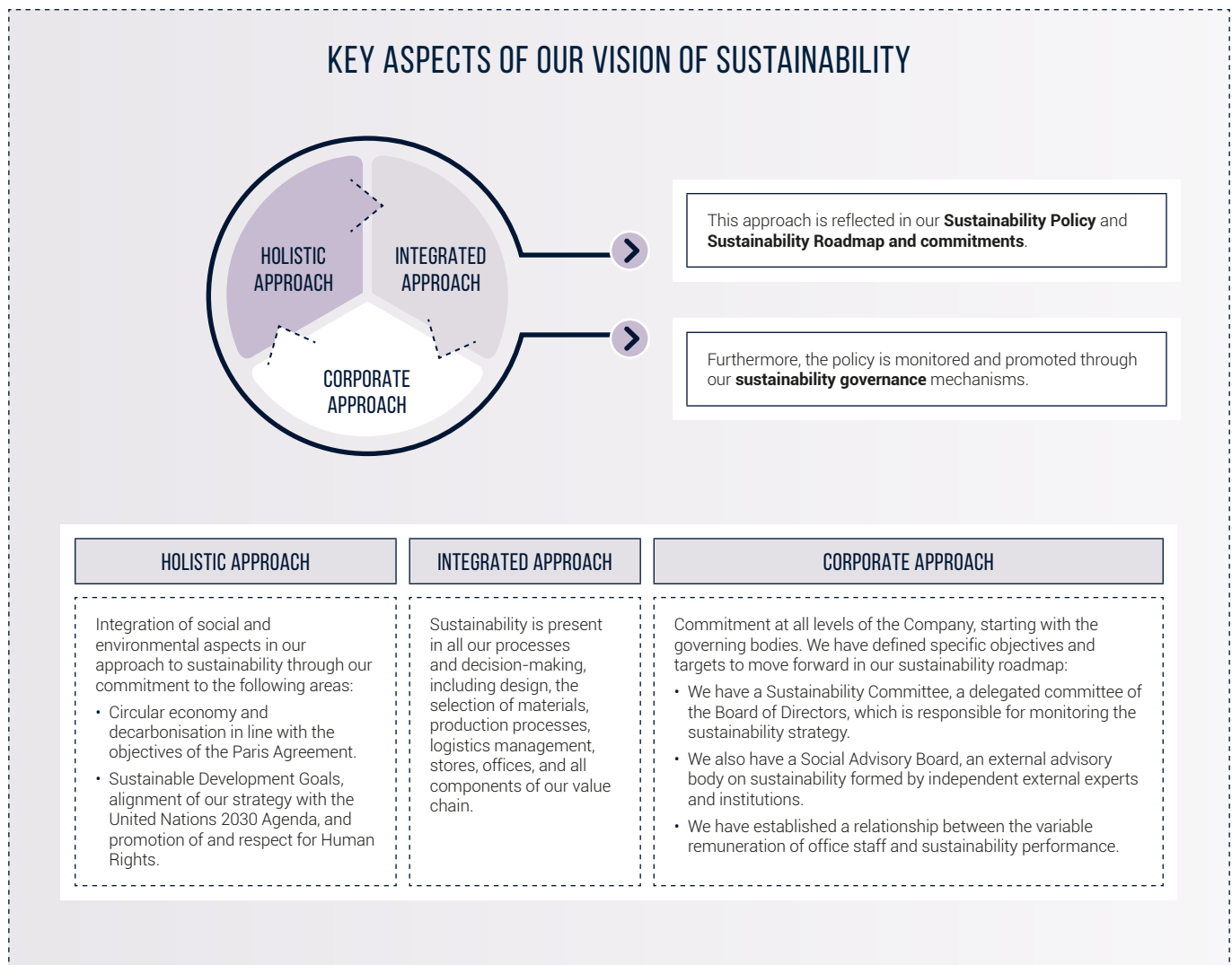
Our approach to sustainability

At Inditex, we view **sustainability as a commitment to creating economic, social and environmental value** for our stakeholders, in order to generate a positive impact and contribute to the development of society and care for the planet. This **approach** is part of our corporate values and ethical culture and is **fully integrated into our entire business model and** activities.

Our decisions and actions are based on rigorous respect for human and labour rights throughout the value chain and compliance with the highest environmental, health and safety standards. This process is accompanied

by transparency and continuous dialogue with our stakeholders. We also strive for an ambitious approach to sustainability that goes beyond simply complying with these issues and ultimately aims to contribute to the generation of positive impact.

We regard sustainability as a means to achieving a fairer society in balance with the limits of the planet. Therefore, as a responsible company, we are working together with our stakeholders in this area. Furthermore, we believe sustainability is a crucial factor for recovery and reconstruction following the pandemic.



We implement a series of policies and strategies that guide our actions to ensure that sustainability is fully integrated into all our processes and decisions throughout the value chain:

- Sustainability Policy.
- Human Rights Policy.
- Diversity & Inclusion Policy.
- Corporate Citizenship Policy.
- Compliance Policy.
- Integrity Policies.
- Forest Products Policy.
- Code of Conduct and Responsible Practices
- Code of Conduct for Manufacturers and Suppliers.

- Product health and safety standards: *Clear to Wear (CtW), Safe to Wear (StW)* and the *I+* standards (*IPLUS, Inditex Precautions and Limits for Users' Safety, which include: I+ Cosmetics, I+ Food Contact Materials, I+ Home Fragrances & Candles, and I+ Child Care Furniture*).

- *Green to Wear (GTW)* environmental standard.

- Strategy for social management of the supply chain: *Workers at the Centre 2019-2022*.

- Global Water Management Strategy, Global Energy Strategy, and Biodiversity Strategy.

Through these policies and strategies and our firm commitment to innovation, we have developed programmes that are constantly evolving to respond to an environment of ever-changing challenges. In addition, we raise employee awareness and reinforce a culture of sustainability that permeates not only our Company but the entire value chain.



Inditex Sustainability Policy

The Inditex Sustainability Policy sets out the principles followed by the Group in its relations with stakeholders, fostering the integration of sustainable practices in the business model under the premise that all its activities are conducted in a respectful manner towards people, the environment and the community in general, based on our commitment to human rights and sustainable development.

The Sustainability Policy, approved by the Board of Directors on 14 December 2020, consolidates and updates the previous Social Responsibility Policy and Environmental Sustainability Policy (both published in 2015) by merging them into a single text.

The Sustainability Policy includes the following aspects:

- **The principles governing sustainability** in the Group.
- **The integration of sustainability in the business model** and the pillars underpinning the Company's value creation.
- **The Company's main stakeholders and the principles governing our relationship** with each one.
- **The principles underlying the communication of sustainability practices**, reinforcing permanent dialogue and transparency as the basis for stakeholder relations.

a) Our sustainability roadmap

With the aim of mitigating the effects of climate change and other potential environmental and social impacts, we have a Sustainability Roadmap based on a circular economy model, which advocates respect for and promotion of human and labour rights in our value chain. This roadmap sets out our objective to create social, environmental and economic value while striving to generate positive impact for people and the planet.

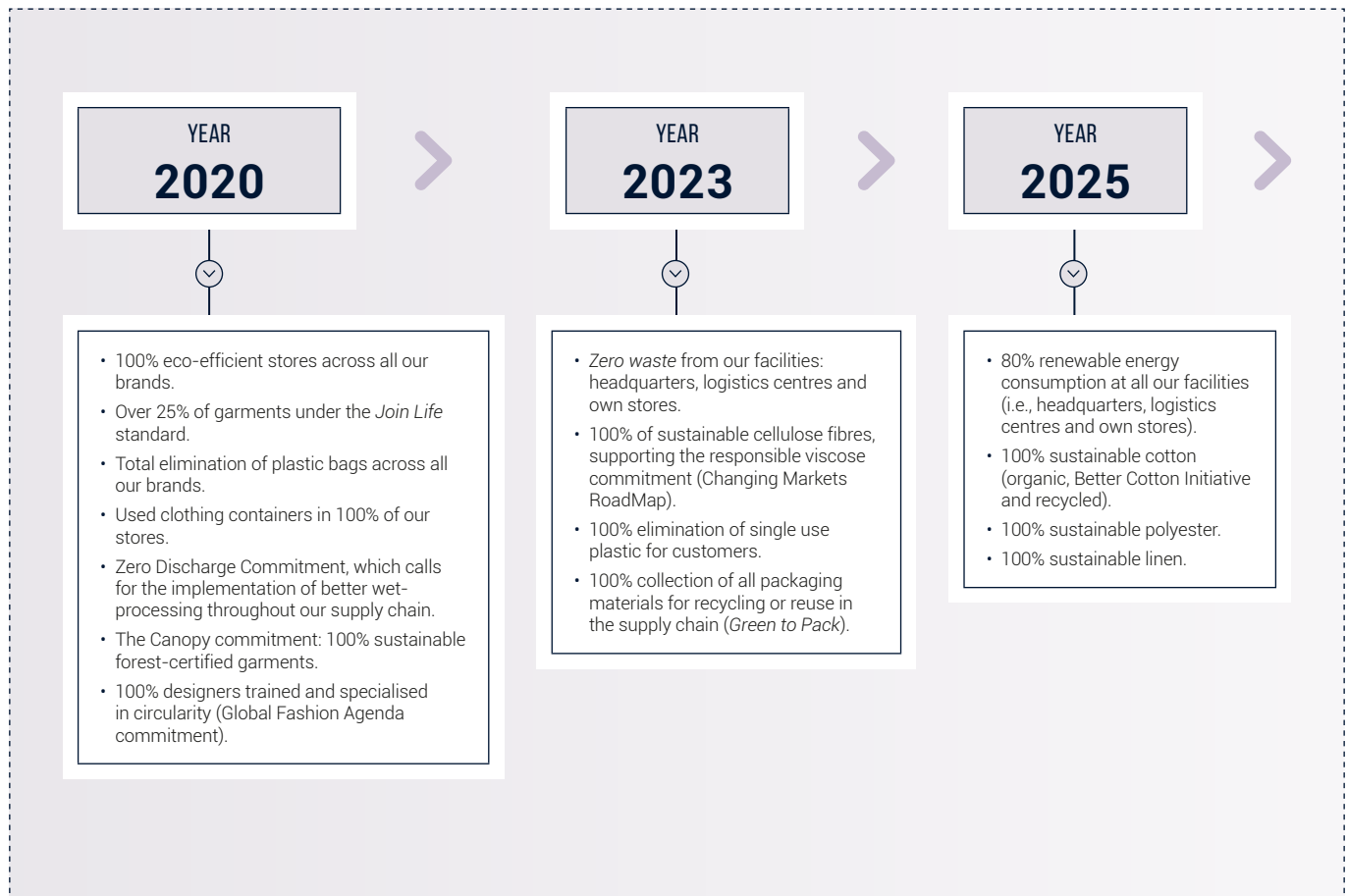
This roadmap is built around two main areas:

1. Commitment to circular economy and decarbonisation in line with the objectives of the Paris Agreement.
2. Commitment to the Sustainable Development Goals with which we have aligned our strategy and, ultimately, to the promotion and respect of human rights.

To achieve these goals, the roadmap includes action plans and initiatives throughout the entire value chain, including the design and selection of raw materials, physical and online sales, and the necessary supply chain and logistics operations to distribute our products.

Within this framework, we have set several milestones and targets. Specifically, in 2020, we not only met but exceeded some of our environmental sustainability and circularity targets. In addition, we have already attained certain targets set for 2025, such as ensuring that 80% of the energy consumption at our facilities (i.e., headquarters, logistics centres and own stores) is from renewable sources.

Achieving our emission reduction targets and developing a resilient strategy requires a holistic approach that analyses future climate scenarios and identifies the associated risks and opportunities. Accordingly, in 2020 we showed our support for the Task Force on Climate-related Financial Disclosures (TCFD) and are working to incorporate its recommendations to provide greater transparency on the risks and opportunities of climate change for our Company.





The Sustainability Committee is a body of the Board of Directors that oversees sustainability proposals and stakeholder relations.

b) Sustainability governance

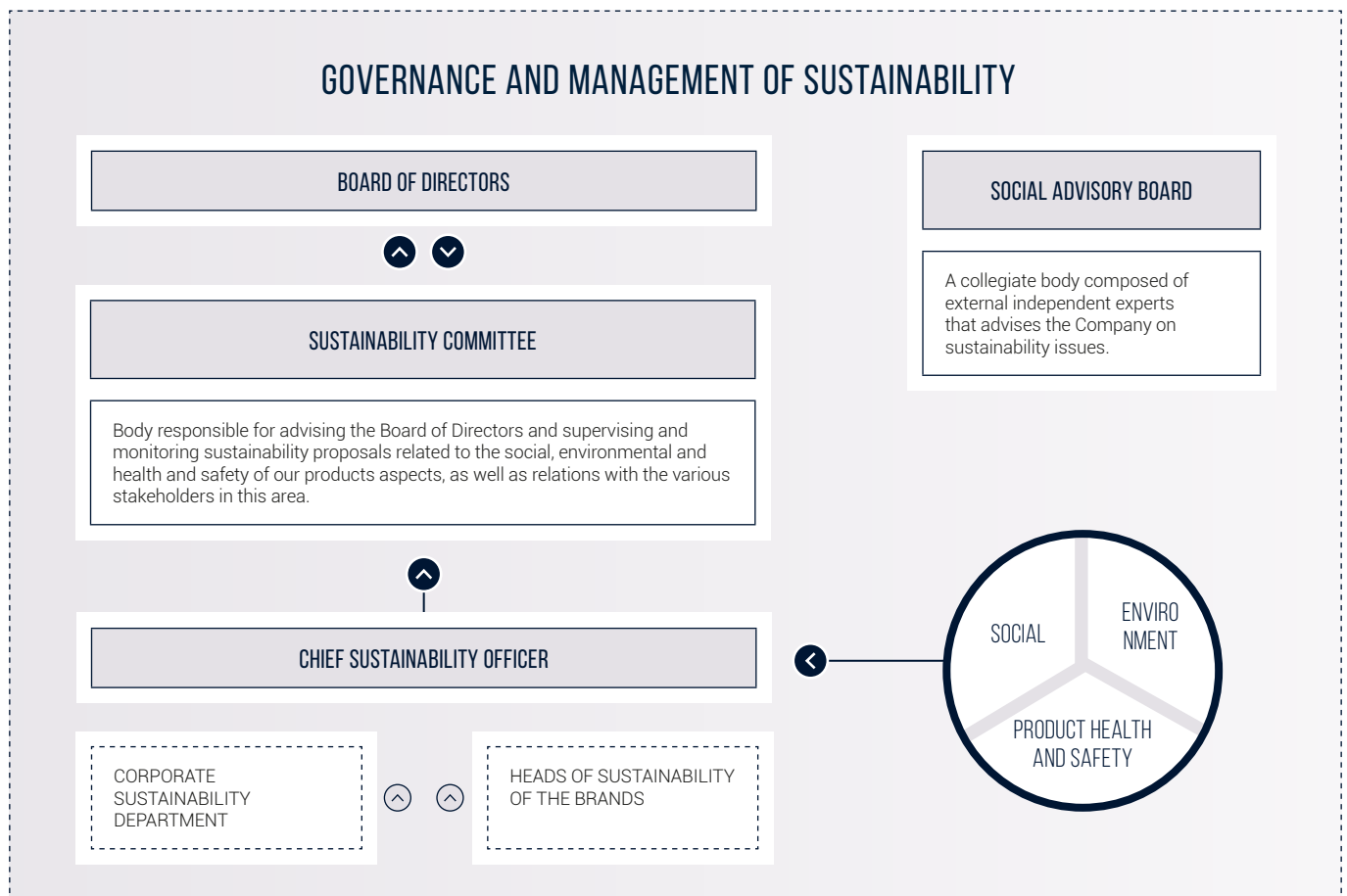
Inditex's Sustainability Policy contains robust mechanisms for supervision and guidance in this area. In this regard, the Sustainability Committee is a delegated body of the Board of Directors that supervises and controls proposals in the areas of sustainability, human rights, social, environmental, and product health and safety. It is also responsible for promoting commitment to the Sustainable Development Goals and stakeholder relations in the area of sustainability. In addition, the Sustainability Committee, together with the Audit and Compliance Committee, oversees the Non-Financial Information Statement (NFS) and other public documentation related to its areas of responsibility.

The Inditex Group also has an Ethics Committee, which reports to the Board of Directors and oversees compliance with the norms of conduct, and a Social Advisory Board,

an external body that advises on sustainability. The Social Advisory Board, which has been operating since 2002, is made up of independent external persons and institutions. Its purpose is to institutionalise dialogue with key stakeholders from the civil society where we implement our business model.

As the body entrusted with the supervision and control of the effectiveness of the internal risk management and control systems, the Audit and Compliance Committee is responsible for supervising and assessing the risks arising from the Group's actions in relation to the Sustainability Policy.

i For more information, see section 1.6.3. Good Corporate Governance of this Annual Report.



Inditex's approach to sustainability has been approved by the governing bodies and is implemented by defining ambitious objectives and specific measures, such as linking variable remuneration to the fulfilment of sustainability objectives. Accordingly, 15% of the variable remuneration of both the executive chairman and the CEO of Inditex is linked to compliance with sustainability policies. Progress is measured against a series of indicators, such as the percentage increase in the number

of *Join Life* products. In addition, the Annual General Meeting held on 16 July 2019 approved the Long-Term Incentive Plan (LTIP 2019-2023), which incorporates specific metrics linked to sustainability targets that, in turn, will account for 10% of the added incentive. Likewise, the variable remuneration of all office employees is linked to performance in this area. Likewise, the variable remuneration of sales departments is linked to the use of more sustainable raw materials.





In 2020, 6,960 employees at our head offices, subsidiaries, corporate headquarters, stores, and logistics centres received sustainability training.

c) Sustainability culture


A strong culture of sustainability in all areas of the Group is essential to the successful implementation of our responsible and sustainable business model. To instil a culture of sustainability among all employees, regardless of their position and duties, we conduct training activities in our offices, stores, logistics centres, and the markets where we are present.

In this respect, we operate an on-boarding process for head office employees where sustainability plays a key role (social, environmental and product health and safety) to ensure that they have the appropriate training and understand the importance of sustainability for the Inditex Group.

After this initial approach to sustainability, employees undertake specific training depending on their roles and responsibilities.

Moreover, training is also essential for our buying teams due to the impact of their decisions on the sustainability of our products and supply chain. Aspects such as the impact of raw materials, circularity and the influence of responsible purchasing practices on employee rights are included in this regard, among others.

In relation to other employee groups, and as an example, through *Zero Waste* training, we provide our logistics centre staff with the necessary information to correctly separate waste and give a new life to the materials we use, such as plastic or cardboard.

 For more information, please see chapter 2.8. *Circularity* and section 3.4.2. *Policies, standards and principles on which our supply chain management is based* c) *Responsible purchasing practices* of this Annual Report.

In 2020, 6,960 employees at our head offices, subsidiaries, corporate headquarters, stores, and logistics centres received sustainability training. Likewise, since 2014, more than 28,000 employees have received some form of sustainability-related training.


These training initiatives are delivered as interactive face-to-face workshops and online sessions. We also use our internal communication channels to run awareness-raising campaigns on issues such as recycling and the Sustainable Development Goals. Thanks to these activities, we keep our staff updated on sustainability issues and ensure that they are informed about the major challenges to be faced in the coming years.

d) Science, technology and innovation in sustainability

Inditex is firmly committed to innovation in all its activities and processes. This commitment has facilitated the integration of sustainability throughout the Company, its value chain, and all product life cycle phases.

Despite the strategic importance of innovation for Inditex over the years, the complexity of the global challenges of sustainability requires an ever-increasing degree of scientific and technological knowledge at the heart of our business. Therefore, science and technology reinforce our strategy and drive our sustainability-focused, systemic, integrated and people-centred innovation model. This approach also considers how product and process innovations are used and contribute to inducing changes in attitudes in favour of sustainability.

Inditex has embraced the challenge and responsibility of raising awareness about sustainability-related issues in conjunction with the expert scientific community. Under this cooperation framework, in 2020, we formed partnerships with leading international companies and organisations, enabling us to accelerate the incorporation of disruptive and innovative solutions. In particular, we entered into an industrial research alliance in science with BASF.

 For more information, please see chapter 2.1. *Innovation* of this Annual Report.

e) Sustainability, a demand of society

We are fully aware that sustainability has a prominent role in the interests of our stakeholders. Customers, employees, suppliers, investors, partner organisations, and society expect us to act responsibly and sustainably to drive the creation of economic, social and environmental value.

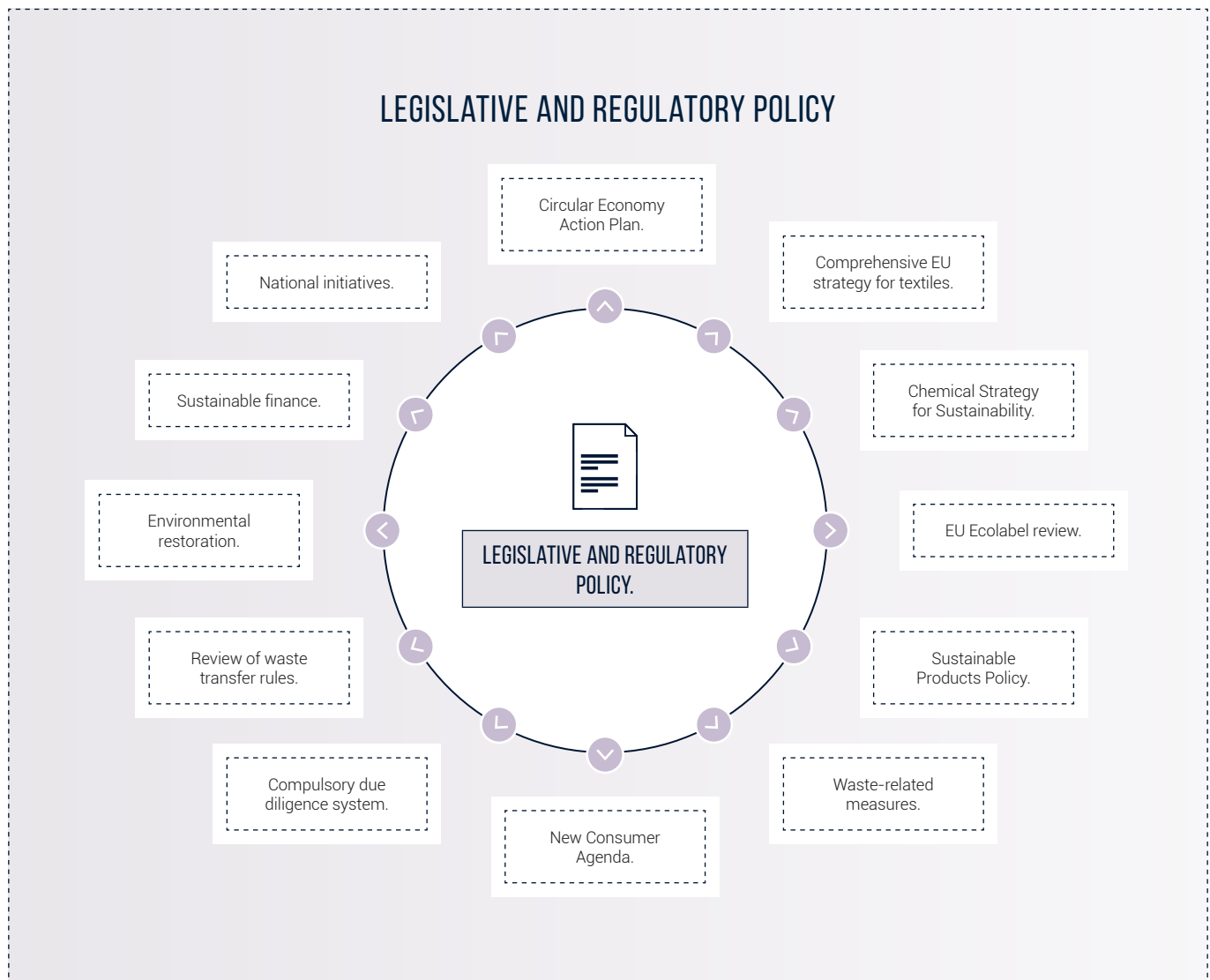
Working with all our stakeholders is essential to furthering our sustainability commitments. For this reason, we establish partnerships with organisations, institutions and stakeholder representatives. We believe that the future of sustainability is rooted in an open and collaborative approach focused on partnerships with industry stakeholders. At Inditex, this approach is implemented through its collaboration with entities such as the United Nations Global Compact, the International Labour

Organisation (ILO), UNI Global Union, IndustriALL Global Union, Doctors Without Borders, Global Fashion Agenda, Zero Discharge of Hazardous Chemicals, Sustainable Apparel Coalition, or Fashion Pact, among others.

i For more information, please see chapter 4.3. *Partnerships and commitments with civil society* of this Annual Report.

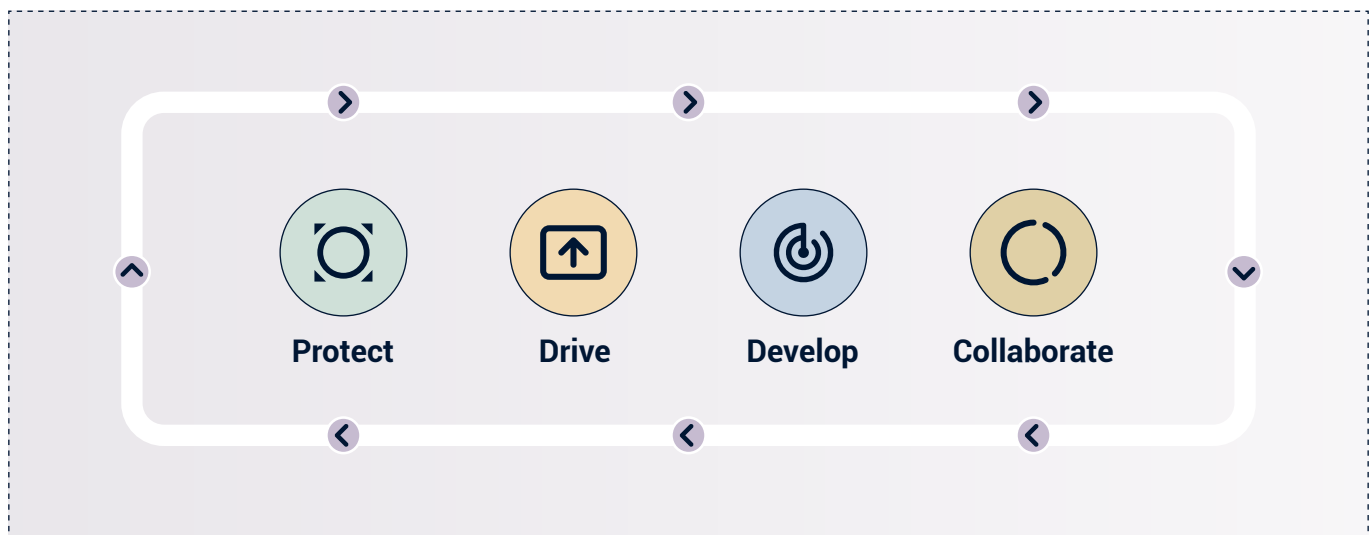
Legislation in the area of sustainability has come to the forefront in recent years. In particular, the textile sector has been the target of numerous legislative initiatives focused on promoting human and labour rights, reducing environmental impact, and driving circularity, including product design, use of raw materials, waste management, recycling, and reuse.

At Inditex, we contribute our insight and experience to discussions on priority sustainability issues through specific alliances and individually. Our aim is to align positions with relevant stakeholders and promote sustainable development.



In 2020, we structured our activity around four lines of action: Protect, Drive, Develop, and Collaborate.

Lines of action in order to be a responsible and sustainable company



In 2020, we structured our activity around four lines of action aimed at all our stakeholders: *Protect, Drive, Develop, and Collaborate*.

Protect

This year, the covid-19 pandemic has led us to implement special health and safety protocols in our work centres, including our stores, for customers and employees. Having a safe environment was essential for us to maintain our business activities. In addition, we worked hard to safeguard the employment of our staff with social relations reinforcing their already fundamental role in this area. Another key focal

point was protecting workers in the supply chain. We prioritised the health and safety of people through collaboration with our stakeholders.

Furthermore, in 2020, we continued prioritising information protection and communicating our corporate ethical culture as a fundamental element of our resilient compliance architecture.

Drive

We are firmly committed to innovation and digitalisation, which are key aspects of our business model that enable us to drive their constant development in all areas.



Our employees form an integral part of this model. We strive to promote diverse and inclusive work environments in which our people can realise their full professional and personal potential. Therefore, we are committed to diversity, inclusion and equality while fostering the talent and development of our employees. Furthermore, we promote remuneration policies based on pay parity.

We also strive to foster relationships with our shareholders by strengthening transparency policies and communication channels. Transparency is also crucial to our tax strategy. We also foster the creation of value in the communities where we operate also through tax contributions.

In addition, we run programmes that support the socio-economic development of workers in the supply chain, such as living wages and worker participation. We promote circularity as a key element of our sustainability strategy.

Develop

We are committed to minimising the environmental impact of our value chain. For this purpose, we are currently engaged in areas such as decarbonisation, the use of natural resources, and the management of climate change risks and opportunities. We have ambitious goals for the sustainability of our products, including the increased use of more sustainable raw materials and ensuring strict health and safety standards.

These measures are complemented by the responsible management of our supply chain, enabling us to build sustainable production environments that meet our environmental and social standards. In this regard, at Inditex, we are firmly committed to promoting and respecting Human Rights throughout our value chain.

Collaborate

We strive to contribute to the welfare of the communities where we operate through social investment projects. In 2020, in response to the impact of the pandemic, we mobilised a global health emergency relief programme as part of our community investment efforts. Specifically in Spain, we made our logistical, procurement and commercial management capabilities available to health authorities, companies and individuals.

At the same time, collaboration with our stakeholders is essential to ensure that all our actions have the greatest possible impact. For this reason, we have established several alliances and partnerships with different types of organisations.

These lines of action outline our performance over the year and enable us to create further value for the communities and environment in which we operate. Our Annual Report is structured around these four areas.



Contribution to Sustainable Development

25 September 2020 marked five years since the adoption of the United Nations 2030 Agenda for Sustainable Development. From the outset, Inditex committed itself to this Agenda and aligned its sustainable strategy accordingly. Over the past five years, we have made significant strides in contributing to the 169 targets of the 17 Sustainable Development Goals (SDGs), however, we are aware that there is still a long way to go.


The 2030 Agenda is even more relevant in the current context of the pandemic crisis, as the SDGs provide a common ground for all actors involved in sustainability and will play a pivotal role in reconstructing health, the economy and society.

Our commitment to the 2030 Agenda encompasses all 17 SDGs based on the premise that to end all forms of poverty, reduce inequalities and combat climate change all these goals should be achieved. In fact, there are clear interconnections between the 17 SDGs covering all three dimensions of sustainable development: economic growth, social inclusion and environmental protection.

By aligning our strategy with the SDGs, supported by the existing focus on sustainability in our business model, we have identified the goals on which we have the most

significant impact due to the nature of our business. These include SDG 3 (Good Health and Well-being), which is more relevant than ever given the current situation; SDG 5 (Gender Equality); SDG 8 (Decent work and economic growth); SDG 12 (Responsible production and consumption); SDG 13 (Climate Action); and SDG 17 (Partnerships for the goals). Similarly, each initiative under our four action lines as a responsible and sustainable business contributes to various SDGs.

We also believe that accountability and transparency are fundamental to making progress on the 2030 Agenda. Therefore, we have included the main indicators of our contribution to the SDGs in our Annual Report. These indicators have been selected in accordance with the guide *Business Reporting on the SDGs: An Analysis of Goals and Targets*, drawn up by the *Action Platform for Reporting on the Sustainable Development Goals*, of which we have been part since its creation and which is organised by the United Nations Global Compact and the Global Reporting Initiative (GRI). Although this initiative concluded in 2020, we joined the Business Leadership Forum, promoted by GRI, in 2021 to continue sharing experiences in SDG reporting.

 For more information, please see the section on *Contribution of Inditex towards the Sustainable Development Goals*. Key indicators in the Appendices to this Annual Report.

Inditex's contribution to the SDGs

2020 Milestones

We are firmly committed to fighting climate change and adhere to the goals outlined in the Paris Agreement. In 2020, we reached a further milestone in this commitment with the approval of our 2030 decarbonisation targets by the Science Based Targets Initiative (SBTi). Inditex is one of the companies participating in the Science Based Targets Initiative that have signed a statement under the framework of Uniting Business and Governments to Recover Better, promoted by the United Nations, urging governments around the world to align their recovery efforts to respond to the crisis and provide financial assistance with the latest advances in science related to climate.

We also implement various initiatives to promote responsible production and consumption, taking into account the entire life cycle of our products. For example, we promote socially and environmentally sustainable production. In addition, we promote sustainable practices among our suppliers and customers. In 2020, we met one of our product sustainability targets by exceeding 25% of *Join Life* garments (manufactured with the most sustainable raw materials and environmentally friendly production processes) and reaching 38% of units under this label.

Our commitment to decent work permeates our entire value chain. We aim to provide our employees with stimulating environments that foster equal opportunities and professional development in safe and stable workspaces. This protection extends to the entire supply chain, where we have joined the initiative *Covid-19: Action in the Global Garment Industry* to promote an urgent response to the impacts of the pandemic on garment workers. Furthermore, we have continued to implement the programmes of our strategy *Workers at the Centre 2019-2022*.

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. In addition, a pay gap analysis conducted in 2020 concluded that there is wage parity between men and women at Inditex. Likewise, we aim to empower the women involved in the production of our products. Therefore, we implement a Gender, Diversity and Inclusion strategy in our supply chain.



We understand the importance of collaborating and partnering with different stakeholders to achieve the Sustainable Development Goals. In 2020, we collaborated with several organisations, including the United Nations Global Compact, International Labour Organization, IndustriALL Global Union, UNI Global Union, Fashion Pact, Make Fashion Circular, Caritas or Doctors Without Borders, among others.



OTHER SIGNIFICANT CONTRIBUTIONS

SDG 1	In 2020 we have implemented 11 social projects, in collaboration with non-profit organisations such as Entreculturas (Brazil, Lebanon, Mexico, and South Africa) and Ganzi Red Cross (China), among others, that had as primary or secondary objective to contribute to <i>End Poverty</i> .
SDG 2	As part of our community investment programme, we have developed 13 social initiatives in 2020 whose main objective has been SDG 2, <i>Zero Hunger</i> . These initiatives have been carried out in collaboration with community organisations such as Food Bank For New York City (USA), FESBAL (Spain), La Mie de Pain (France) or Entreculturas (Paraguay).
SDG 4	We promote the training and professional development of our employees. In 2020, 46% of the Group's job vacancies were filled internally.
SDG 6	Together with other companies under the ZDHC (<i>Zero Discharge of Hazardous Chemicals</i>) initiative, Inditex promotes a paradigm shift in the textile industry by laying the foundations for the sustainable management of chemical products.
SDG 7	In 2020, we reached the target of 81% of electricity consumption at our facilities (headquarters, logistics centres, and stores) coming from renewable energy, thereby meeting our target for 2025.
SDG 9	We have launched the <i>Sustainability Innovation Hub</i> , an open innovation platform based on collaborative technology surveillance. In addition, our tax contribution amounted to €4.7 billion in 2020.
SDG 10	The second main objective of our community investment programmes in 2020 was to reduce inequalities, with €12.9 million allocated to initiatives for this purpose.
SDG 11	In 2020 we have implemented 26 community initiatives, in collaboration with organisations such as the Teatro Real and the Museo Nacional de Arte Reina Sofía (Spain), the Fundação de Serralves (Portugal) or the US Green Building Council (USA) to contribute to achieve the goal of <i>Sustainable Cities and Communities</i>
SDG 14	We strive to minimise any harm to marine life. Furthermore, we invested in programmes to protect underwater life in line with the Commitment to Zero Discharge of Hazardous Chemicals.
SDG 15	We are committed to the conservation of nature and forest ecosystems. In 2020, our consumption of more sustainable raw materials accounted for 21% of our total raw material consumption.
SDG 16	Inditex operates a robust Compliance System that demonstrates its firm commitment to good governance and social and environmental sustainability while transmitting its ethical corporate culture to all stakeholders.

In the context of the covid-19 pandemic, the health, safety and well-being of our employees remained one of our top priorities. Accordingly, we activated a series of hygiene, technical and organisational measures at our work centres to safeguard the health and safety of our employees. At the supply chain level, we established a global strategy to support our suppliers and manufacturers, helping them to adopt covid-19 prevention measures. Meanwhile, in terms of community investing, we activated and allocated €40.4 million to a global health emergency programme.



Our Sustainability Policy reinforces our stakeholder engagement principles: permanent dialogue and transparency.

Stakeholder relations

At Inditex, we firmly believe that the key to becoming a responsible and sustainable company lies in listening to our stakeholders, responding to their concerns and needs, and collaborating with them to move forward together to achieve sustainable development and create a positive impact.

Our new Sustainability Policy reinforces our stakeholder engagement principles: permanent dialogue and transparency. These principles apply to our relations with all our stakeholders: customers, employees, suppliers, shareholders, the community at large, and social and environmental organisations.

The common principles underlying our relationship with stakeholders are embodied in constantly updated strategies, objectives and channels of communication and dialogue.

In addition, we have specific policies that define the principles of the relationship with each stakeholder, such as our Code of Conduct and Responsible Practices, our Code of Conduct for Manufacturers and Suppliers, and our Human Rights Policy, among others.

Notably, since 2019, we have had a Sustainability Committee, which, as a delegated committee of the Board of Directors, is responsible for overseeing stakeholder relations in the area of sustainability.

Similarly, since 2002 we have had a Social Advisory Board, an advisory committee on sustainability matters composed of independent external experts, responsible for formalising and institutionalising dialogue with key stakeholders in the civil society.

DEFINING INDITEX'S STRATEGY FOR ENGAGING WITH STAKEHOLDERS

IDENTIFICATION

Identifying all the stakeholders who may be linked to Inditex throughout our value chain and in the environment in which we operate.



PRIORITISATION

Classifying and determining the priority stakeholders based on our business model and value chain. Both their involvement and the possible impacts this model can have on them are taken into account.



DEFINITION OF THE STRATEGY

A specific strategy is created for each stakeholder based on their characteristics and needs. Goals, commitments and specific tools of engagement are defined.
Common elements in all strategies: Permanent dialogue and transparency.

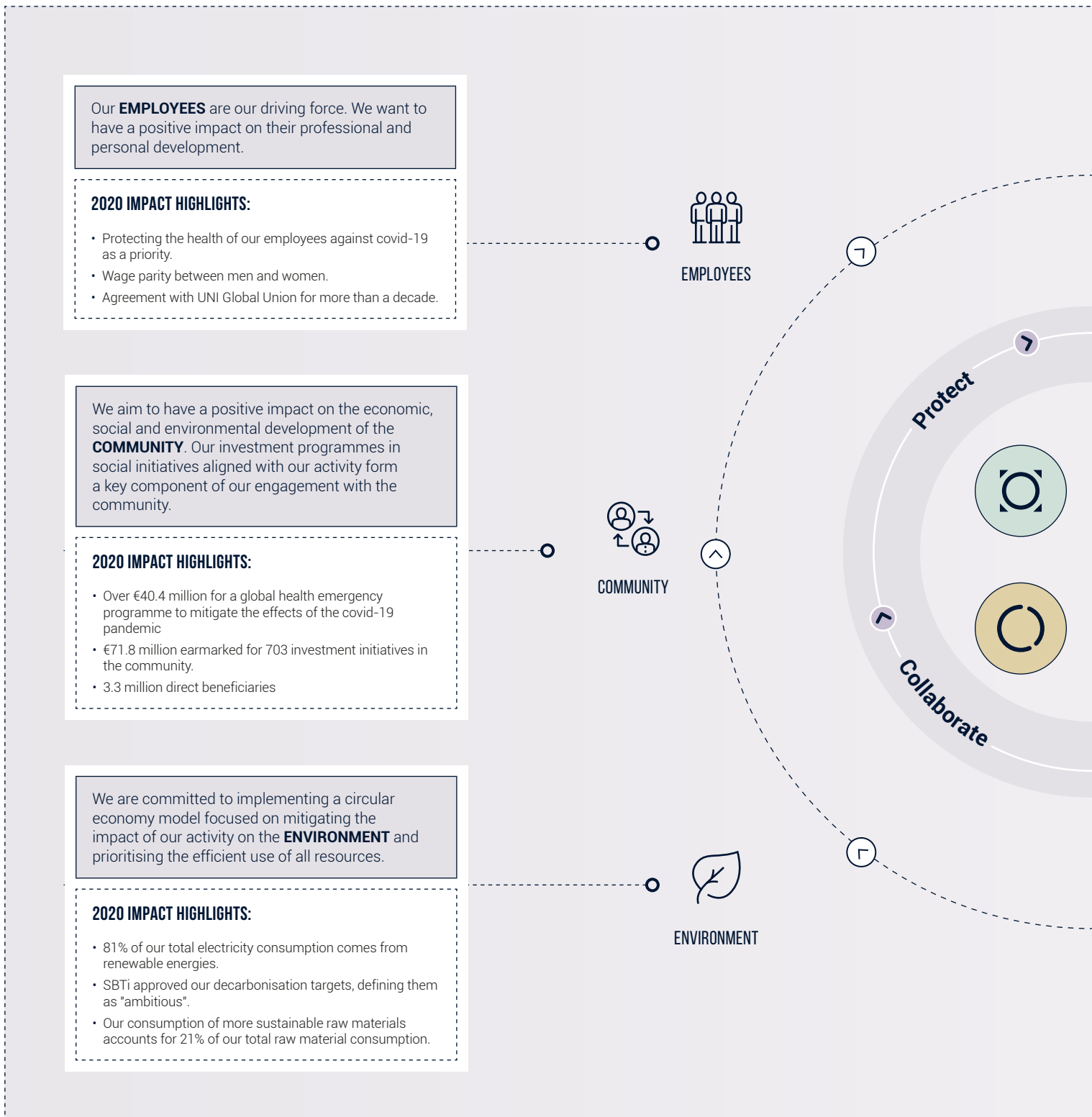
INDITEX MAIN STAKEHOLDERS AND ENGAGEMENT AND DIALOGUE TOOLS

INDITEX'S MAIN STAKEHOLDERS		EXAMPLES OF STAKEHOLDERS	RELATIONSHIP AND DIALOGUE TOOLS	
			SHARED TOOLS	SPECIFIC TOOLS
	EMPLOYEES Any person who works for the Inditex Group, whether at stores, offices or logistics centres.	Retail staff Office staff Logistics centre staff Trade union representatives	SUSTAINABILITY COMMITTEE MATERIALITY ANALYSIS SOCIAL ADVISORY BOARD STRATEGIC ALLIANCES CORPORATE WEBSITE ANNUAL REPORT	Ethics Committee UNI Global Union Agreement Training and internal promotion Internal communications Volunteering programmes Information Security and Data Protection & Privacy Departments
	CUSTOMERS Any person who purchases a product sold by any of the Inditex Group's brands.	Physical store customers Online store customers Potential customers		Teams specialised in customer care Stores and <i>online</i> stores Social networks Information Security and Data Protection & Privacy Departments
	SUPPLIERS Companies that are part of Inditex's supply chain as well as their respective employees.	Direct suppliers Manufacturers Workers Trade unions International organisations		Supplier clusters Ethics Committee Commercial and sustainability teams Framework Agreement with IndustriALL Global Union Privacy and Data Protection Department
	COMMUNITY All people or entities that are part of the environment in which Inditex carries out its activity.	NGOs Governments and public administrations Academic institutions Civil society Media		Social Advisory Board Cooperation with NGOs Sponsorship and Patronage Committee
	ENVIRONMENT The natural elements in the locations where Inditex operates.	Environmental protection organisations Governments		Social Advisory Board Commitments with NGOs Environmental sustainability teams
	SHAREHOLDERS Any person or entity that owns Inditex Group shares.	Institutional investments Private investors		General Shareholders' Meeting Sustainability Indexes Relationship with investors

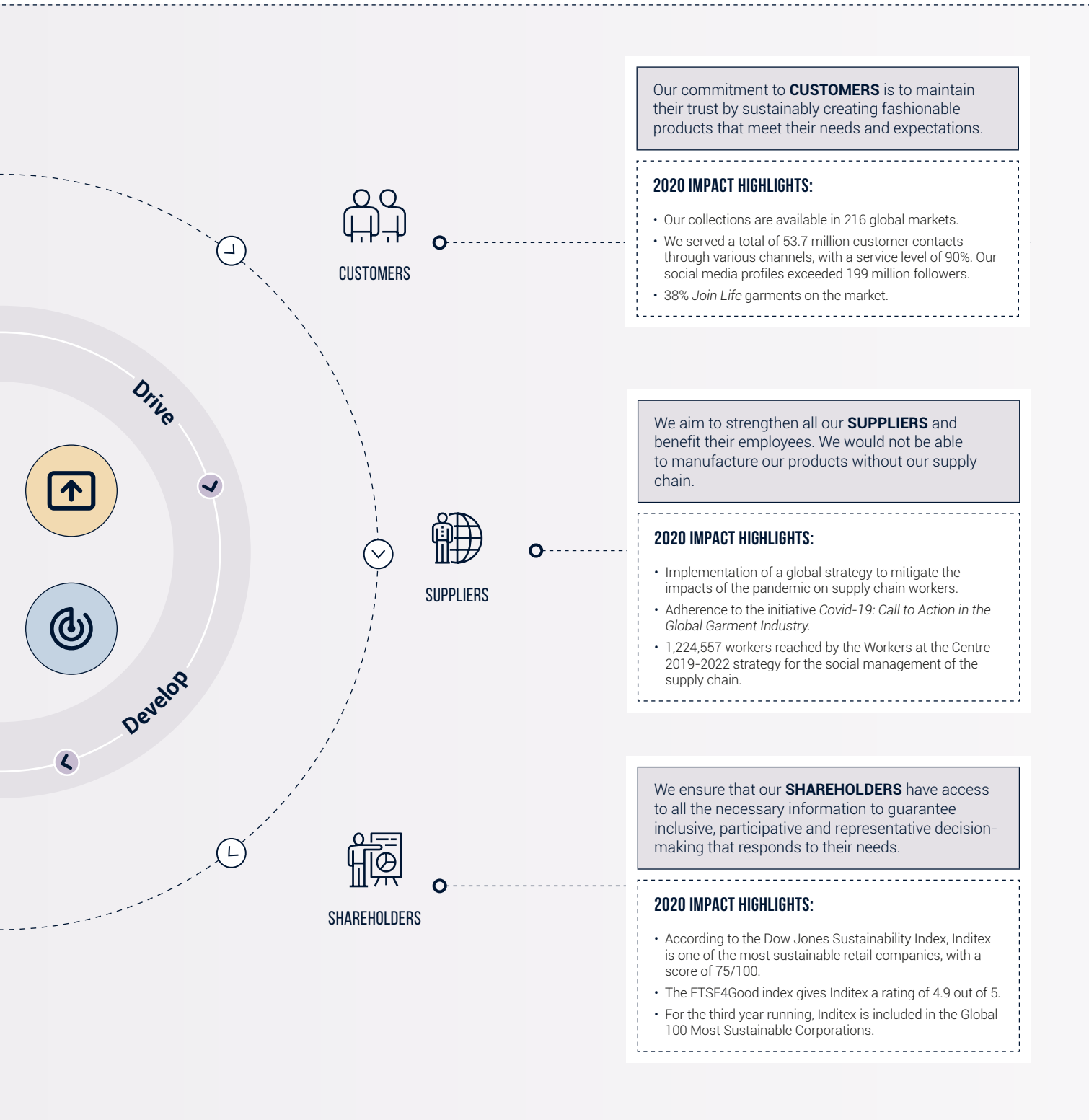
FREQUENCY	OUR COMMITMENTS		INITIATIVES FOR BEING A RESPONSIBLE AND SUSTAINABLE COMPANY
	SHARED	SPECIFIC	
On request Ongoing dialogue Ongoing dialogue Ongoing dialogue Ongoing dialogue		Respect for Human and Labour Rights Fair and dignified treatment Respect for privacy and personal data protection Commitment to information security	<p style="text-align: center;">PROTECT</p> <p style="text-align: center;">DRIVE</p> <p style="text-align: center;">DEVELOP</p> <p style="text-align: center;">COLLABORATE</p>
On request Ongoing dialogue Ongoing dialogue On request		Clear and transparent communication Integration throughout the business model Responsible design and manufacturing Respect for privacy and protection of personal data Commitment to information security	
Ongoing dialogue On request Ongoing dialogue Ongoing dialogue Ongoing dialogue		Promotion and protection of fundamental human and labour rights and international standards Promotion of sustainable production environments Respect for privacy and protection of personal data in the provision of services	
Biannual Ongoing dialogue Biannual		Contribution to social and economic development Commitment to improving global welfare	
Biannual Ongoing dialogue Ongoing dialogue		Respect for the environment Conservation of biodiversity Sustainable resource management Combating climate change	
Annual Annual Ongoing dialogue	Social interest and common interest of all shareholders Promotion of informed participation		

Value generation for stakeholders

Our business model and approach to sustainability aspire to have a positive impact on our stakeholders, generate value in the short, medium and long term in all areas of sustainability, and contribute to the sustainable development of surrounding communities and environmental protection. The four lines of action underpinning our activity in 2020 (*Protect, Drive, Develop, and Collaborate*) contribute to achieving this goal.



“ We use materiality analysis to identify the most relevant issues and determine priority lines of action to understand the needs and expectations of our stakeholders.



CUSTOMERS

Our commitment to **CUSTOMERS** is to maintain their trust by sustainably creating fashionable products that meet their needs and expectations.

- 2020 IMPACT HIGHLIGHTS:**
- Our collections are available in 216 global markets.
 - We served a total of 53.7 million customer contacts through various channels, with a service level of 90%. Our social media profiles exceeded 199 million followers.
 - 38% *Join Life* garments on the market.

SUPPLIERS

We aim to strengthen all our **SUPPLIERS** and benefit their employees. We would not be able to manufacture our products without our supply chain.

- 2020 IMPACT HIGHLIGHTS:**
- Implementation of a global strategy to mitigate the impacts of the pandemic on supply chain workers.
 - Adherence to the initiative *Covid-19: Call to Action in the Global Garment Industry*.
 - 1,224,557 workers reached by the Workers at the Centre 2019-2022 strategy for the social management of the supply chain.

SHAREHOLDERS

We ensure that our **SHAREHOLDERS** have access to all the necessary information to guarantee inclusive, participative and representative decision-making that responds to their needs.

- 2020 IMPACT HIGHLIGHTS:**
- According to the Dow Jones Sustainability Index, Inditex is one of the most sustainable retail companies, with a score of 75/100.
 - The FTSE4Good index gives Inditex a rating of 4.9 out of 5.
 - For the third year running, Inditex is included in the Global 100 Most Sustainable Corporations.



Materiality analysis

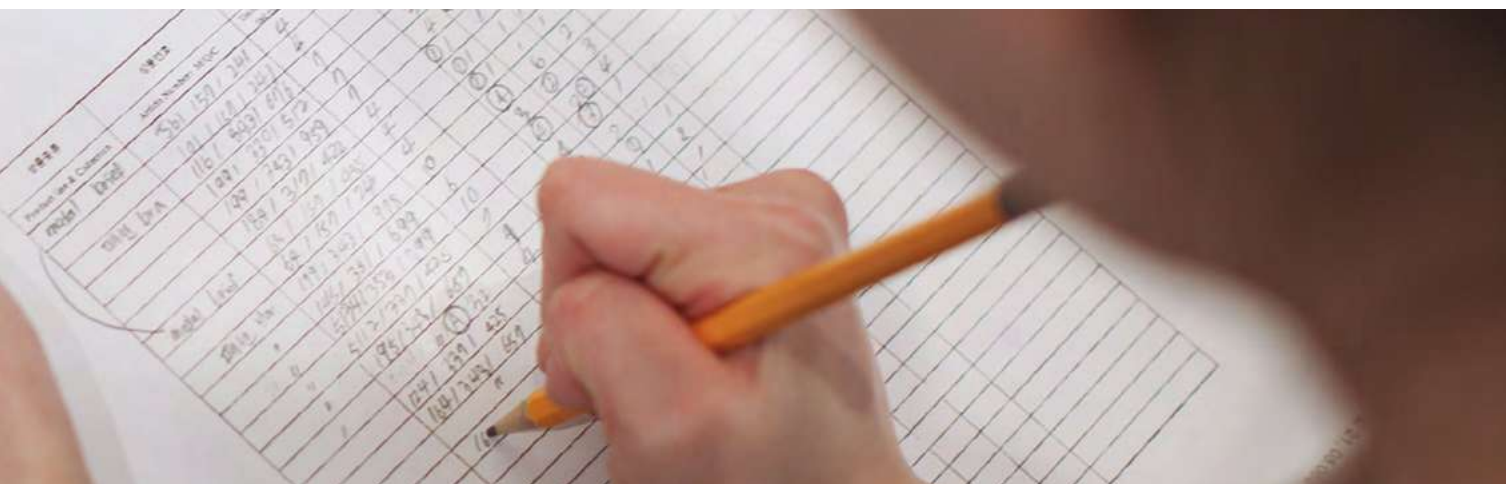
Materiality analysis is one of our main tools for understanding the needs and expectations of our stakeholders. This process helps to identify the most relevant issues for our stakeholders, referred to as material topics, which, in turn, enable us to define priority actions to drive the creation of economic, social and environmental value. Furthermore, this process of identifying and prioritising material topics helps us to shape the contents of our Statement of Non-Financial Information (NFI) and Annual Report.

In 2020, for the tenth consecutive year, we employed materiality analysis to identify and prioritise material topics with our internal stakeholders (employees) and external stakeholders. We have also expanded the scope of the external stakeholders involved to obtain a broader representation of those with whom we engage. A total of 104 organisations participated in the analysis ⁽¹⁾.

MAIN STAKEHOLDERS INVOLVED IN INDITEX'S MATERIALITY ANALYSIS

EMPLOYEES	INTERNATIONAL ORGANISATIONS	UNIVERSITIES
TRADE UNIONS	NGOs	LOCAL COMMUNITIES
MEDIA	FRANCHISES	SUPPLIERS

(1) The participating organisations included: Inditex Social Advisory Board, ACT (Action, Collaboration, Transformation), AFIRM Group, Better Than Cash Alliance, Better Work, Bill & Melinda Gates Foundation, BSR, Business and Human Rights Resource Centre, Canopy, Cáritas, COGAMI (Galician Confederation of People with Disabilities), Corporate Human Rights Benchmark, Red Cross, Economics for Energy, Ellen McArthur Foundation, Euratex, Every Mother Counts, Fashion Pact, Fundación Seres. Sociedad y Empresa Responsable, Global Fashion Agenda, Greenpeace, Humane Society of United States (HSUS), IndustriALL Global Union, Doctors Without Borders, Organic Cotton Accelerator, Open for Business, Oxfam, International Labour Organization (ILO), United Nations Global Compact Action Platform on Decent Work in Global Supply Chains, People for the Ethical Treatment of Animals (PETA), Policy Hub, REDI (Red Empresarial de D&I LGBTI), Science Based Targets Initiative (SBTi), Shared Value Initiative, Social & Labour Converge Project, Smart Freight Centre, Sustainable Apparel Coalition, Sustainable Fibre Alliance, Swasti, Sustainalytics, University of Oxford, University of Toronto, Universidad de Santiago de Compostela, Universidad de Vigo, Universidad Carlos III, Universidade do Minho, Tent Partnership for Refugees, Textile Exchange, The Prince's Trust, UN Foundation, UNFCCC Fashion Industry Charter for Climate Action, UNI Global Union, The UN Refugee Agency (UNHCR), Workforce Disclosure Initiative, Water.org, WWF, and Zero Discharge of Hazardous Chemicals.



Furthermore, our Social Advisory Board also participated in the materiality analysis as a collegiate body composed of external independent experts that provide advice to the Inditex Group in sustainability matters.

The process of identifying material topics and determining their boundary adheres to the recommendations of the Global Reporting Initiative and, more specifically, the GRI 101 standard: Foundation 2016. The identification of relevant topics includes, among other aspects, the potential short, medium and long-term impacts of the company on these topics. Regarding prioritisation, the material topics are submitted to internal and external stakeholders, who assess their relevance.

The result is a materiality matrix that includes 20 material topics based on their relevance to stakeholders. The number of material topics has reduced from 32 in 2019 to 20 in 2020 by grouping them into major material subjects to achieve greater differentiation in prioritisation. Therefore, each of the resulting 20 material topics includes different sub-topics, which are also factored into the materiality analysis. The materiality matrix is supplemented by the Balance of Material Topics (in section B of the *How We Report* section of this Annual Report), which includes an analysis of each material topic, including its boundary and Inditex's involvement in the possible impact.

INDITEX MATERIALITY MATRIX ELABORATION PROCESS



IDENTIFICATION

Analysis and identification of relevant topics.
Assessment of the scope of each relevant topic.



PRIORISATION

Submission of material topics to internal and external stakeholders to assess their relevance on economic, social and environmental impacts and the influence of the topics on stakeholders' decisions and expectations.



OVERALL VALIDATION

Validation of the materiality matrix results to ensure that they provide a reasonable and balanced representation of the relevant topics for the organisation.
Internal validation by Inditex management and external validation through its Social Advisory Board.



REVISION

The conclusions of the internal and external revision of the materiality matrix of the previous year were applied during the materiality analysis exercise.

MATERIALITY MATRIX EXTERNAL RELEVANCE VS. INTERNAL RELEVANCE



NO.	MATERIAL TOPIC	SUBTOPICS
1	ETHICAL BEHAVIOUR AND GOVERNANCE	SUSTAINABLE CORPORATE GOVERNANCE CORPORATE ETHICS REGULATORY COMPLIANCE AND RESPONSIBLE PRACTICES ANTI-CORRUPTION GRIEVANCE MECHANISMS
2	RISK MANAGEMENT AND CONTROL SYSTEMS	FINANCIAL RISK MANAGEMENT AND CONTROL SYSTEMS NON-FINANCIAL RISK MANAGEMENT AND CONTROL SYSTEMS CYBERSECURITY
3	STAKEHOLDER ENGAGEMENT	STAKEHOLDER COMMITMENT TRANSPARENCY AND CONTINUOUS DIALOGUE ALLIANCES AND PARTNERSHIPS
4	RESPONSIBLE COMMUNICATION	RESPONSIBLE COMMUNICATION AND MARKETING PRODUCT INFORMATION AND LABELLING BRAND MANAGEMENT
5	VALUE CHAIN TRANSPARENCY AND TRACEABILITY	RAW MATERIALS TRACEABILITY PROCESSES TRACEABILITY TRANSPARENCY
6	RESPONSIBLE PURCHASING PRACTICES	SUPPLIER RELATIONS RESPONSIBLE PURCHASING TRAINING AND COMMITMENT
7	VALUE CREATION	FINANCIAL PERFORMANCE SOCIO-ECONOMIC IMPACT ON SOCIETY TAX CONTRIBUTION AND TAX TRANSPARENCY COMMUNITY INVESTMENT
8	INNOVATION	DIGITALISATION INNOVATION IN SUSTAINABILITY PROCESS INNOVATION
9	CUSTOMER ORIENTATION	SALES PRACTICES SHOPPING EXPERIENCE
10	DIVERSITY, EQUALITY AND INCLUSION	DIVERSITY EQUALITY INCLUSION

NO.	MATERIAL TOPIC	SUBTOPICS
11	QUALITY OF EMPLOYMENT	EMPLOYMENT REMUNERATION LABOUR RELATIONS
12	HUMAN RIGHTS	HUMAN RIGHTS STRATEGY DUE DILIGENCE PROCEDURES
13	SAFE AND HEALTHY ENVIRONMENTS	WORK CENTRES SUPPLY CHAIN COMMERCIAL SPACES
14	TALENT MANAGEMENT	TALENT ATTRACTION TALENT DEVELOPMENT TALENT RETENTION
15	SOCIALLY SUSTAINABLE PRODUCTION ENVIRONMENTS	EMPLOYEE WELL-BEING INDUSTRIAL RELATIONS LIVING WAGES WOMEN EMPOWERMENT
16	CLIMATE CHANGE	DECARBONISATION ENERGY MANAGEMENT EMISSIONS
17	ENVIRONMENTAL FOOTPRINT MINIMISATION	WATER USAGE WASTE MANAGEMENT MANAGEMENT OF CHEMICAL SUBSTANCES AND SUSTAINABLE PROCESSES IN MANUFACTURING
18	PROTECTION OF NATURAL RESOURCES	BIODIVERSITY ANIMAL WELFARE
19	PRODUCT SUSTAINABILITY	SUSTAINABLE RAW MATERIALS PRODUCT QUALITY, HEALTH AND SAFETY
20	CIRCULARITY	ECO-DESIGN PACKAGING RECYCLING

As part of the alignment of our strategy with the Sustainable Development Goals, and based on our materiality analysis, we have identified the main SDGs impacted by each of the activities developed under our four lines of action to be a responsible and sustainable company.

Protect	Drive	Develop	Collaborate
<p>RESPONSE TO THE GLOBAL CHALLENGES ARISING FROM COVID-19</p>  <p>13. Safe and healthy environments 7. Value creation 3. Stakeholder engagement</p>	<p>INNOVATION</p>  <p>8. Innovation 9. Customer orientation</p>	<p>MINIMISING ENVIRONMENTAL IMPACT ACROSS THE VALUE CHAIN</p>  <p>16. Climate change 17. Environmental footprint minimisation 18. Protection of natural resources</p>	<p>COVID-19 DONATIONS</p>  <p>7. Value creation 3. Stakeholder engagement</p>
<p>EMPLOYMENT</p>  <p>11. Quality of employment</p>	<p>DIVERSITY, INCLUSION, EQUALITY, AND WORK-LIFE BALANCE</p>  <p>10. Diversity, equality and inclusion 12. Human Rights 3. Stakeholder engagement</p>	<p>ALIGNMENT WITH THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)</p>  <p>16. Climate change 2. Risk management and control systems</p>	<p>CORPORATE COMMUNITY INVESTMENT</p>  <p>7. Value creation 3. Stakeholder engagement</p>
<p>LABOUR RELATIONS</p>  <p>3. Stakeholder engagement 11. Quality of employment 12. Human Rights</p>	<p>TALENT MANAGEMENT</p>  <p>14. Talent management</p>	<p>SUSTAINABILITY OF OUR PRODUCTS</p>  <p>19. Product sustainability 17. Environmental footprint minimisation 18. Protection of natural resources 3. Stakeholder engagement</p>	<p>PARTNERSHIPS AND COMMITMENTS WITH CIVIL SOCIETY</p>  <p>3. Stakeholder engagement</p>
<p>CUSTOMER FOCUS</p>  <p>9. Customer orientation 4. Responsible communication</p>	<p>REMUNERATION POLICY</p>  <p>11. Quality of employment</p>	<p>SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN</p>  <p>5. Value chain transparency and traceability 15. Socially sustainable production environments 12. Human Rights 17. Environmental footprint minimisation 6. Responsible purchasing practices 3. Stakeholder engagement</p>	<p>ACKNOWLEDGEMENTS</p>  <p>3. Stakeholder engagement 4. Responsible communication</p>
<p>INFORMATION SECURITY AND PRIVACY</p>  <p>2. Risk management and control systems</p>	<p>SHAREHOLDER RELATIONS</p>  <p>3. Stakeholder engagement</p>	<p>TAX CONTRIBUTION AND TAX TRANSPARENCY</p>  <p>7. Value creation</p>	
<p>ROBUST COMPLIANCE ARCHITECTURE</p>  <p>1. Ethical behaviour and governance 2. Risk management and control systems</p>	<p>CONTRIBUTION TO THE SOCIO-ECONOMIC DEVELOPMENT OF WORKERS AND THE INDUSTRY</p>  <p>12. Human Rights 15. Socially sustainable production environments 10. Diversity, equality and inclusion 6. Responsible purchasing practices 3. Stakeholder engagement</p>	<p>HUMAN RIGHTS</p>  <p>12. Human Rights</p>	
	<p>CIRCULARITY</p>  <p>20. Circularity 19. Product sustainability 18. Protection of natural resources 3. Stakeholder engagement</p>		





1 Protect

1.1. Response to the global challenges arising from covid-19 / 1.2. Employment /
1.3. Labour relations / 1.4. Customer focus / 1.5. Information security and privacy /
1.6. Robust Compliance architecture



Response to the global challenges arising from covid-19

1.1. Response to the global challenges arising from covid-19



RELATED MATERIAL TOPICS:

SAFE AND HEALTHY ENVIRONMENTS; VALUE CREATION; STAKEHOLDER ENGAGEMENT



1.1.1. The health, safety and well-being of our people

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

a) Caring for our people to combat covid-19

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

- Definition of preventative measures and protocols to be implemented in the different work centres and markets.
- Standardisation and adaptation of our staff's work processes.
- Monitoring the effective application of preventative measures to protect the health of our workforce.
- Regular information provided to employees on the prevention measures indicated in the corporate protocols and/or by health authorities and other local authorities, the evolution of the pandemic, etc.

- Creation and consolidation of emergency management committees, led by the management of each business unit.
- Collection of data on the epidemiological situation and monitoring of the impact of covid-19 on our employees.
- Update of our protocols based on the information published and verification of their adaptation at all times to the applicable standards and guidelines issued by the different competent authorities in the different markets.

Hygienic, technical and organisational measures

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

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

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



- Hygienic measures:

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

- Technical measures:

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

- Organisational measures⁽¹⁾:

- Work shifts have been adapted and the hours of arrival, departure or break times of our employees have been made more flexible to reduce concentrations of people.

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

(1) For more information, see section 1.3.1. *Organisation of work* of this Annual Report.

areas and guaranteeing compliance with social distancing in all cases.

Monitoring of covid-19 health measures:

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

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

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

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

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

COVID-19 TRAINING	TRAINING HOURS 2020
Europe	23,616
Americas	2,252
Asia and Rest of the World	768

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

b) Protecting health and safety

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

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

Emergency management

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

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

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

 There is more information on *Indicators of our people* in the Annexes of this Annual Report.

Prevention of Musculoskeletal Injuries

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

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



Through the InHealth portal, available in 19 Group markets, we foster health and healthy habits among our people.

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

Promoting well-being

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

In 2020, we also made progress in the creation of the **Welfare Committees in all the Group's markets and chains**. These are **transversal bodies for the promotion and coordination of different initiatives and actions for the well-being of people**, in such varied aspects as diversity, equality, health promotion, inclusion, work-life balance, mental and psychosocial health, working hours, food, ergonomics, workspaces, sporting activities, employee mobility, events and social actions (taking part in world days and employee participation in various community support projects).

Taking into account the backdrop of the pandemic, in 2020 we celebrated World Day for Safety and Health at Work with the slogan *A healthy attitude towards covid-19*, in all the markets in which Inditex operates and for all the Group companies.

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

c) Health and safety indicators

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

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



There is more information on *Indicators of our people* in the Annexes of this Annual Report.

1.1.2. Protection of workers in the supply chain

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

For Inditex, **fostering and respecting Human and Labour Rights** of workers in the supply chain is fundamental. In light of the situation arised due to covid-19, **our focus on the worker** has been strengthened and consolidated.



“ From the outset of the crisis, we developed a global response strategy for our supply chain to support our suppliers and manufacturers.

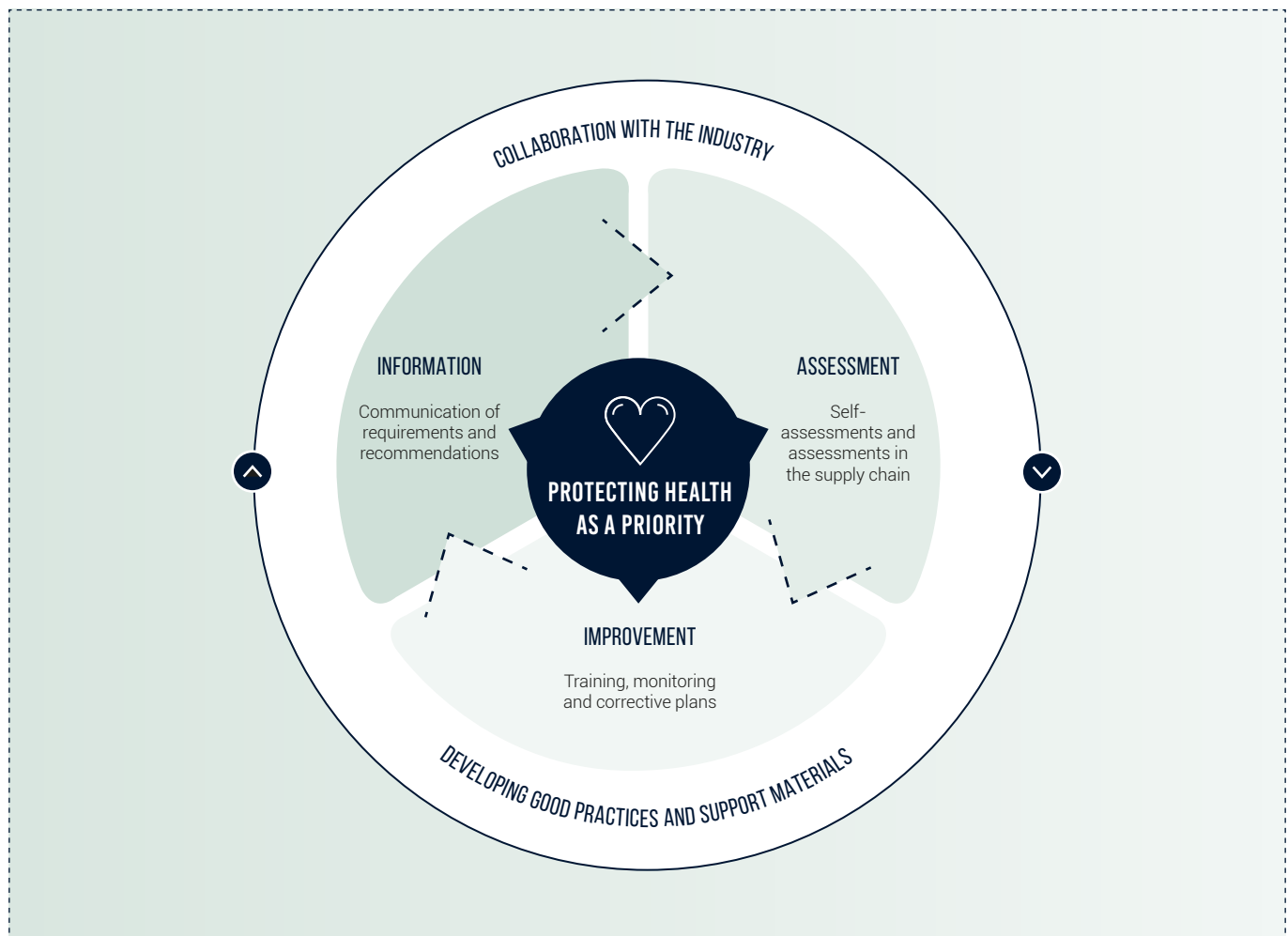
a) Health first

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

i More information on our strategy *Workers at the centre 2019-2022*, in 2.7. Contribution to the socio-economic development of workers and the industry of this Annual Report.

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

The work carried out by our internal teams has been crucial to the implementation of this strategy. At Inditex, we gathered national and international publications related to preventive measures to combat covid-19 as well as general hygiene measures in the workplace. Benchmarks for these measures include, among others, information published by the WHO, the International Labour Organization, the US Department of Health & Human Services, the Canadian



Centre for Occupational Health and Safety, and the National Health Service of the United Kingdom. Some of the reference materials used include the *Immunization Coverage and Getting your workplace ready for covid-19* guide published by the WHO, and the US Department of Labour's Guidance on Preparing Workplaces for covid-19. This material has enabled us **to draw up practical implementation guidelines to facilitate the correct application of the necessary measures and to protect workers' health**. Furthermore, these guidelines have served as training support material for our suppliers and manufacturers.

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

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

Information

NO. OF SUPPLIERS AND FACTORIES DIRECTLY INFORMED	1,436
NO. OF WORKERS REACHED	1,587,693

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

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

In particular, the Accord – in collaboration with its signatory brands – has compiled information on covid-19 preventive measures implemented in the factories in Bangladesh. Furthermore, the detection and reduction of health risks in working environments

has been facilitated by the workers directly notifying possible incidents through this organisation's claims and complaints channel.

Assessment

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

NO. OF SUPPLIERS AND FACTORIES ASSESSED	429
NO. OF ASSESSMENTS CONDUCTED	574
NO. OF WORKERS REACHED	554,733

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

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

Improvement

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

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

NO. OF SUPPLIERS AND FACTORIES TRAINED	301
NO. OF IMPROVEMENT PLANS DRAWN UP	34
NO. OF WORKERS REACHED	169,845

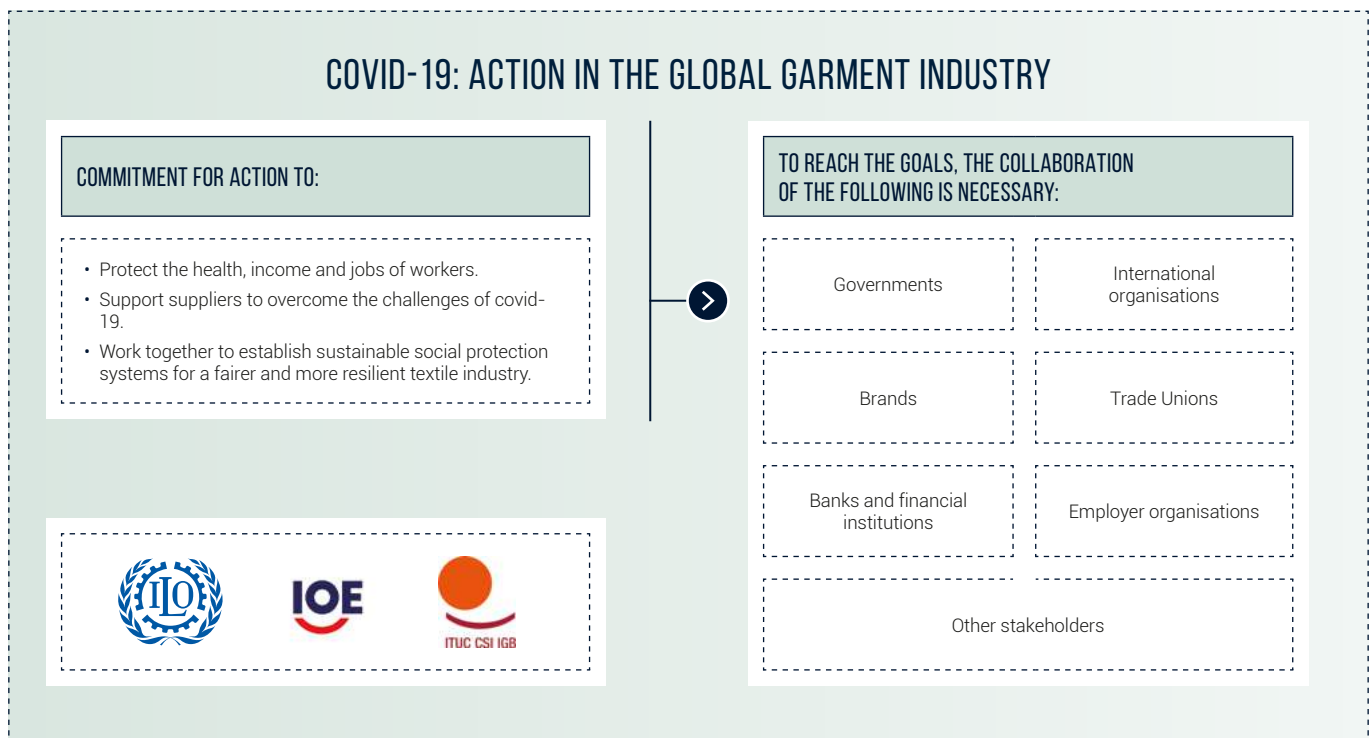
Thus, both through online monitoring platforms and regular verifications, support has been given to our suppliers and manufacturers in order **to ensure compliance with applicable requirements and recommendations**.

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

b) Protecting people

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

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



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

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

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

c) Economic response and recovery

Pursuant to our responsible purchasing practices policy, **we have guaranteed the payment of all orders already placed and in production** as an immediate measure, in accordance with the original terms and streamlining payments in cases where there were logistics hindrances



to the delivery of the goods. We **also guarantee the use of the raw material held by Group manufacturers for productions under conditions favourable to the supplier.** These commitments made it easier for suppliers to meet their obligations to pay workers, thus, providing further protection to their jobs and income.

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

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

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

As a result of our collaboration with several financial institutions, we were able to implement three programmes, one in Morocco and two in Bangladesh, providing suppliers with access to loans under attractive financial terms.

d) Multilateral collaboration

The effects of the pandemic caused by covid-19 have reiterated the need for **stable and sustainable relationships with stakeholders** that enable industrial relations to be





Inditex and IndustriALL have undertaken to work together on the worldwide textile industry recovery plans.

used as a backbone for **structuring collective responses** to the challenges arising from the global pandemic.

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

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

It is worth noting the **cooperation between Inditex and IndustriALL Global Union**, developed under the aegis of the Global Framework Agreement that both organisations have held since 2007 and which was last renewed in 2019. We have upheld ongoing communication and work with the global union since the outbreak of the pandemic to support the economic and social recovery of the industry, together with global and national stakeholders.

 More information in the chapter 2.7. *Contribution to the socio-economic development of workers and the industry*, subsection a) of this Annual Report.


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

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

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

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

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

 More information in the section 2.7.2. *Living wages* of 2.7. *Contribution to the socio-economic development of workers and the industry*, and in subsection c) *Responsible purchasing practices* (in 3.4.2. *Policies, standards and principles on which our supply chain management is based*) of this Annual Report.

“ We have implemented security measures and prevention protocols in our stores, thus becoming safe environments for all our customers and employees.




Among the initiatives in the aforementioned countries, note the experience in Bangladesh, where IndustriALL Bangladeshi Council (an organisation comprising IndustriALL affiliates in the country), the BGMEA employers organisation and ACT members agreed to jointly monitor the payment of wages and bonuses to workers and agree on a provisional mechanism for resolving wage-related disputes in the country's supply chain of ACT brands.

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

1.1.3. Commercial space

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

From the outset, our technical teams have monitored the legal requirements in each market, reviewed all available scientific documentation, partnered with scientific institutions, and assessed the effectiveness of cutting-edge technologies. Lastly, all of these actions have allowed us to focus our strategy on the following measures:

	We have increased the hygiene and disinfection of all the surfaces of our stores.
	We have installed alcoholic hydrogel dispensers at the entrances to our stores.
	We uphold social distancing by limiting the capacities of stores and by solutions that guarantee safe distancing between customers at checkouts and fitting rooms.
	We have increased the ventilation of our stores, pursuant to the legal requirements and recommendations determined by the health authorities in each of the markets in which we are present.
	We treat garments used in fitting rooms and not purchased and those returned by customers, applying specific protocols.

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

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



Employment



In 2020, a year marked by the global covid-19 pandemic, the Company's priority has been to preserve employment.

1.2. Employment



RELATED MATERIAL TOPICS:

QUALITY OF EMPLOYMENT



1.2.1. Introduction

At Inditex, we are committed to providing stable and safe working environments where equal opportunities and professional development are a reality, and where we look after our team. Inditex is present in a vast number of markets, each with its own reality. This requires local responses for our employees to enable quality working environments in each of the markets where the Group operates.

In 2020, a year marked by the global covid-19 pandemic, the Company's priorities and efforts have been focused on preserving employment.

As lockdowns were ordered and temporary store closures were announced because of the health situation, we studied all the mechanisms made available to the companies in the different markets where we operate to achieve this goal.

In Spain, our market headquarters, where the highest number of employees is concentrated, the Company decided not to adopt the temporary layoff scheme (ERTE in Spanish) and has been paying employees' salaries in the different areas of activity (stores, logistics centres, proprietary factories and corporate headquarters) using Company resources.

In the rest of the markets, as in Spain, the Company acted in accordance with local legislation to address the pandemic with the main objective of preserving employment. In this regard, the instruments put in place by the various administrations to compensate employees' salaries during the periods of restrictions due to covid-19 allowed to recover nearly 137 million euros.

Based on the evolution of the health situation and the phases of the de-escalation, we have continued to adopt the pertinent safety measures and adapt our workforce to activity levels, as part of our goal to preserve employment.



1.2.2. Workforce distribution by contract type

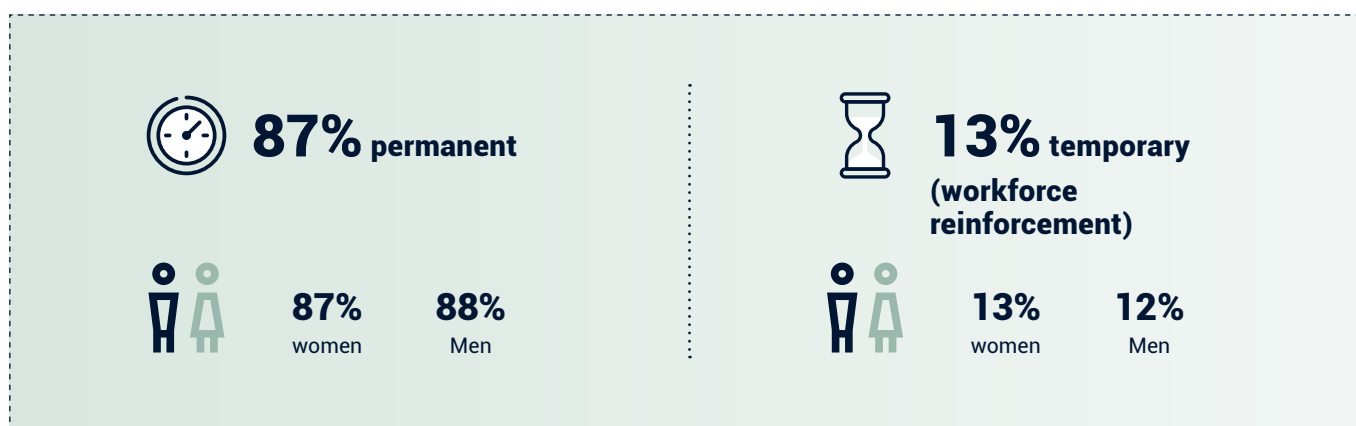
In this context, at Inditex we have prioritised maintaining permanent employees mainly by hiring reinforcements with temporary contracts and not renewing temporary contracts when they expire if there is no activity to justify

their extension. At the same time, in the markets where employment protection measures are staying in place, we have chosen to extend the procedures to continue to partially include the workforce.

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

The following tables show the different types of contract by gender, age and job classification.⁽¹⁾

	2020				2019				2018			
	PERMANENT		TEMPORARY		PERMANENT		TEMPORARY		PERMANENT		TEMPORARY	
	WORKFORCE	% WORKFORCE	WORKFORCE	%	WORKFORCE	% WORKFORCE	WORKFORCE	%	WORKFORCE	% WORKFORCE	WORKFORCE	%
GENDER DISTRIBUTION												
FEMALE	93,748	87%	14,543	13%	100,968	76%	31,606	24%	96,518	74%	34,607	26%
MALE	31,690	88%	4,135	12%	34,219	78%	9,818	22%	30,655	71%	12,606	29%
TOTAL	125,438	87%	18,678	13%	135,187	77%	41,424	23%	127,173	73%	47,213	27%
AGE												
UNDER 30	64,716	81%	15,034	19%	70,658	68%	33,387	32%	65,186	63%	38,797	37%
30 TO 40	41,677	93%	3,031	7%	44,874	87%	6,711	13%	44,145	86%	7,155	14%
OVER 40	19,045	97%	613	3%	19,655	94%	1,326	6%	17,842	93%	1,261	7%
TOTAL	125,438	87%	18,678	13%	135,187	77%	41,424	23%	127,173	73%	47,213	27%
PROFESSIONAL CLASSIFICATION ⁽²⁾												
MANAGEMENT	11,451	96%	539	4%	9,268	89%	1,146	11%	7,000	90%	808	10%
SUPERVISORS	15,596	95%	811	5%	19,209	92%	1,657	8%	18,215	88%	2,614	12%
SPECIALISTS	98,391	85%	17,328	15%	106,710	73%	38,622	27%	101,958	70%	43,791	30%
TOTAL	125,438	87%	18,678	13%	135,187	77%	41,424	23%	127,173	73%	47,213	27%



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

(2) 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.

1.2.3. Staff distribution by type of working hours

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

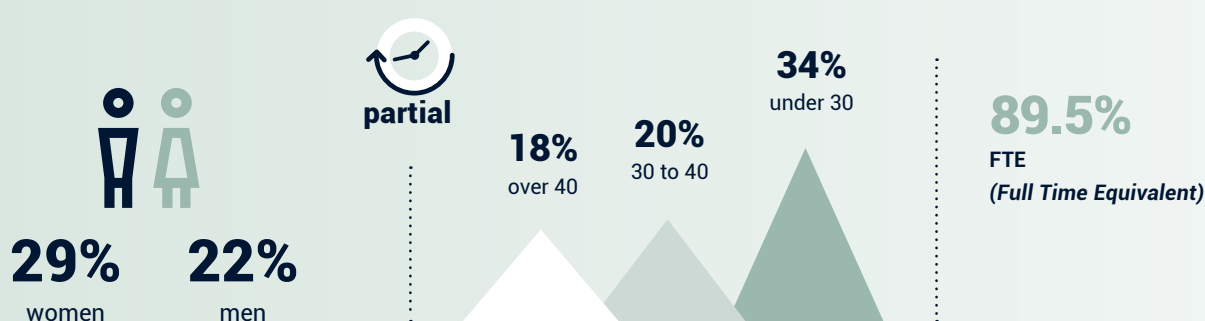
The increase in full-time working hours has mainly been caused by the drop in seasonal contracts during FY 2020. This usually involves voluntary part-time workdays in a greater proportion, to cover the highest sales times in our stores.

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

Distribution of workforce with part-time contracts⁽³⁾, according to gender, age and job classification, is shown below:

	2020		2019		2018	
PART-TIME	WORKFORCE	%	WORKFORCE	%	WORKFORCE	%
GENDER DISTRIBUTION						
FEMALE	31,649	29%	70,308	55%	63,292	51%
MALE	8,036	22%	23,601	47%	22,091	43%
TOTAL	39,685	28%	93,909	53%	85,383	49%
AGE						
UNDER 30	27,273	34%	66,978	64%	58,626	58%
30 TO 40	8,820	20%	20,854	40%	21,471	41%
OVER 40	3,592	18%	6,077	29%	5,286	27%
TOTAL	39,685	28%	93,909	53%	85,383	49%
PROFESSIONAL CLASSIFICATION ⁽⁴⁾						
MANAGEMENT	291	2%	273	3%	139	2%
SUPERVISORS	1,091	7%	1,804	9%	1,831	9%
SPECIALISTS	38,303	33%	91,832	63%	83,413	57%
TOTAL	39,685	28%	93,909	53%	85,383	49%

72% full time and 28% part-time



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

(4) 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.



Labour relations

1.3. Labour relations

RELATED MATERIAL TOPICS:

STAKEHOLDER ENGAGEMENT;
QUALITY OF EMPLOYMENT;
HUMAN RIGHTS



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

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

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

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

- Among other rights, special mention is made of the application of ILO Conventions 87, 89 and 98, which focus on guaranteeing freedom of association and the right to collective bargaining. In reference to them, the Agreement states that *"Inditex recognises the right of trade unions to represent workers and collectively negotiate the working conditions affecting them"*.
- Similarly, the freedom of individuals to join any trade union and non-discrimination due to membership of a trade union is guaranteed within the scope of employment relations. Similarly, under the terms of ILO Conventions 100 and 110, and based on non-discrimination in employment, the parties defend equal

opportunities and treatment for all persons, and equal pay for work of equal value.

Inditex is committed to complying with applicable national legislation and conventions, in line with ILO Conventions 1 and 47 and ILO Recommendation 116.

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

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

Following the signing of the Agreement between Inditex and UNI, the American trade union *United Food and Commercial Workers International Union* (UFCW), affiliated with UNI, shows its interest in reaching a specific agreement with the Company, to encompass the terms of the aforementioned 2009 Agreement for its stores in the United States. In response to this demand, an agreement was signed in 2015 with UNI, UFCW, Inditex and Zara USA, which led to the approval of a collective bargaining agreement that currently extends to 21 stores in the states of New York and New Jersey.

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

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



- Contingency Protocol for remote working and digitisation of processes for all Central Services departments, Logistics offices and Manufacturing centres.

- Agreements with the representations of logistics workers to ensure continuity of necessary services, including a two-week stoppage of non-essential activities during the spring of 2020.

- Agreements with representatives of store workers to continue and scale up online order preparation activities in our stores.

- Activation of a percentage of our factory's capabilities to manage the manufacture of masks and overalls.

- State Agreement with the majority unions CCOO and UGT to provide services in the best health and safety



100% of employees of the Inditex Group are covered by the Global Agreement signed with UNI Global Union.

conditions both for staff and for customers. This agreement, which was reached at the beginning of the initial de-escalation period and remains in force today, extends to the organisation of work in terms of working hours and shifts to respect health measures.

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

In the rest of the markets where our employees are represented locally, we had the benefit of their collaboration from the onset to start the appropriate negotiations and reach agreements focused on protecting employment, implementing appropriate safety and health measures, and continuity of operations.

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

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

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

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

1.3.1. Organisation of work

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

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

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

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

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

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

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

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

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

 For more information, see section 4.1. *Covid-19 donations*, of this Annual Report.

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

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

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

 Further information in section 1.1.1. *The health, safety and well-being of our people* of this Annual Report.



Customer focus

1.4. Customer focus

➤ RELATED MATERIAL TOPICS:

CUSTOMER ORIENTATION:
RESPONSIBLE COMMUNICATION



1.4.1. Inditex, a model by and for the customer


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

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

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

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

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

 For more information, please see chapter 2.1. *Innovation* of this Annual Report.

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

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

The integrated model has also helped to **mitigate the impact of covid-19 and lockdown** on our balance sheet. In fact, with only 18% of our stores around the world fully operational during the year and restrictive measures in terms of capacity, opening hours and temporary closures, Inditex billed 20.402 billion euros and obtained a profit of over 1.100 billion, while maintaining its gross margin at 55.8%.

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

1.4.2. Response to our customers in 2020

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

The customer, at the centre of our business model



SHOPPING, A UNIQUE AND INTEGRATED ACT

We work actively to ensure that the customer sees shopping as a **unique act regardless of the channel where it occurs**, as part of a process where the constraints of the physical channel and the online channel disappear. A philosophy that aspires to achieve a truly unique and integrated relationship for the customer with our brands.



LISTENING AND OUR RESPONSE

Customer demand finds the creativity of our designers through the multiple channels: physical store and online store.

This feeds into the product and shopping experience teams, evolving permanently and integrated to keep the customer at the centre of the relationship.



A LONG-TERM RELATIONSHIP

We encourage proximity in our relationship with our customers and strive to deserve their loyalty and trust. The commitment to **understanding each customer as unique** is the same now as when we opened our first store in 1975.



CREATING EXPERIENCES

When a customer approaches our brands, they have a different experience in mind, which is not always related to purchasing. That is why we want to offer them the creations that they demand and provide **an experience that transcends the purchase, creating a recreational experience.**

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

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

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

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

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

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

a) Customer service channels: contacts and service level

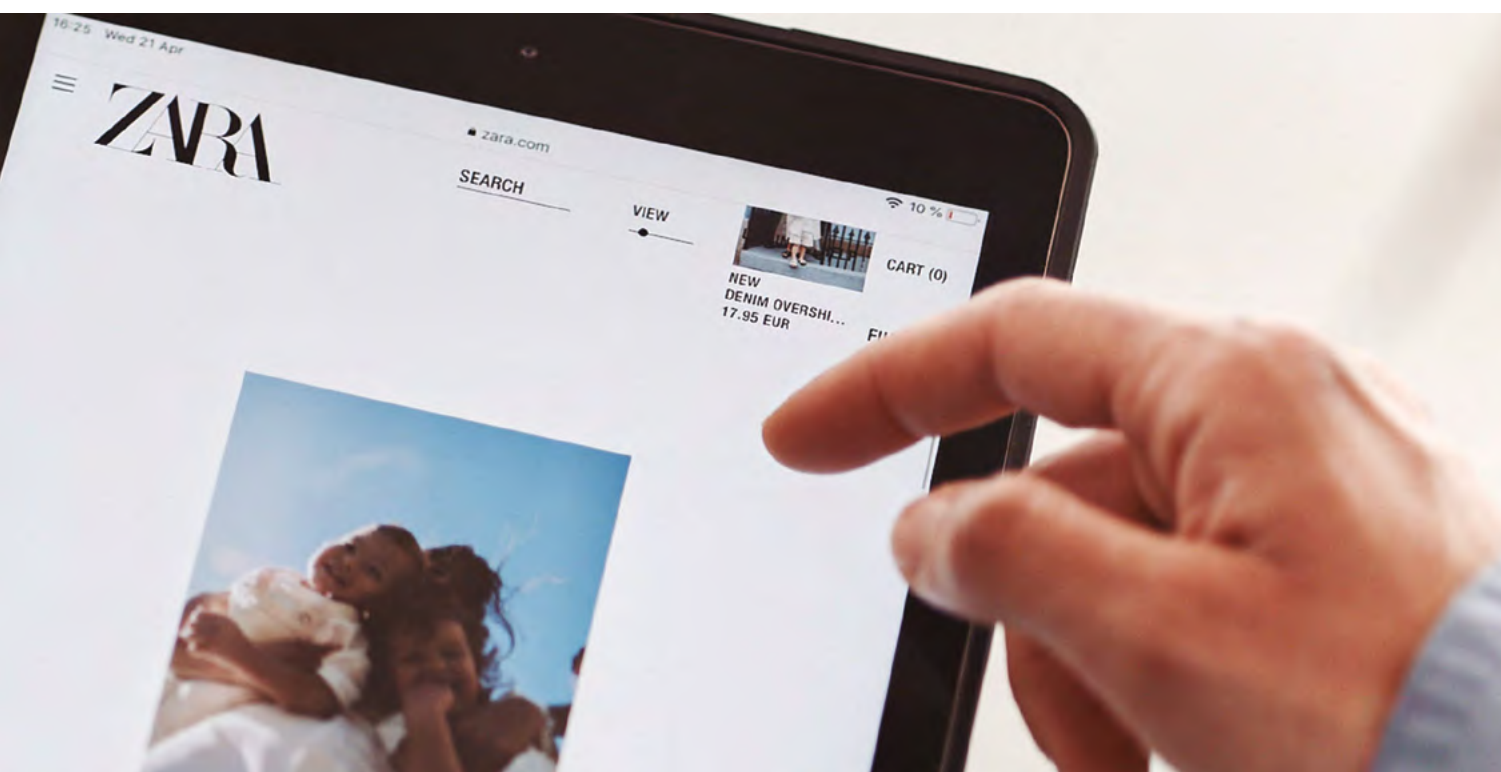
In 2020, a total of 53,735,989 contacts were handled by the Group's customer service areas in the Group's chains, through different channels (calls, emails, chats and messages through social media profiles), relating to a wide range of issues concerning products, purchasing, shipping, possible incidents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

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



CUSTOMER RESPONSE

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





In 2020, followers of Inditex chains on the different social media channels exceeded 199 million.

MAIN SOCIAL MEDIA PLATFORMS FOR OUR CHAINS BY NUMBER OF FOLLOWERS

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

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

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

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

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

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



Health and Safety claims

At Inditex we have exacting standards, training and awareness-raising schemes, as well as prevention and enforcement programmes to reach the highest health and safety standards. However, in the event of any potential incidents, our product health and safety teams are fully coordinated with our customer service, store teams and any other areas in the Company where information on incidents and/or claims may reach. Any notice given by any customer, inspection body, NGO or any other health, safety and/or environmental sustainability-related body, is addressed

to our technical teams for evaluation and monitoring. Where there are signs that a product on sale is likely to be hazardous, the product would be withdrawn from the market and all units sold would be recalled, bringing such measures to the attention of our customers through the relevant channels.

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



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



Information security and privacy

1.5. Information security and privacy

➤ RELATED MATERIAL TOPICS:

RISK MANAGEMENT AND CONTROL SYSTEMS



1.5.1. Information security

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

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

This commitment was strengthened in 2019 at the highest level with the Board of Director's review and approval of the Information Security Policy. This Policy establishes the principles and guidelines that Inditex will follow to protect its information in accordance with applicable regulations and ethical values, as well as the provisions of the Information Security Committee Regulations.

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

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

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

During 2020, and as a result of the disruption caused by the global covid-19 pandemic, special emphasis has been placed on remote working plans and managing

their associated risks. Specifically, the existing capacity of remote access channels and systems has been adapted to fit operational needs. Protection and control measures for these connections have also been strengthened. In addition to the training activities described above, specific campaigns have also been launched in this regard.

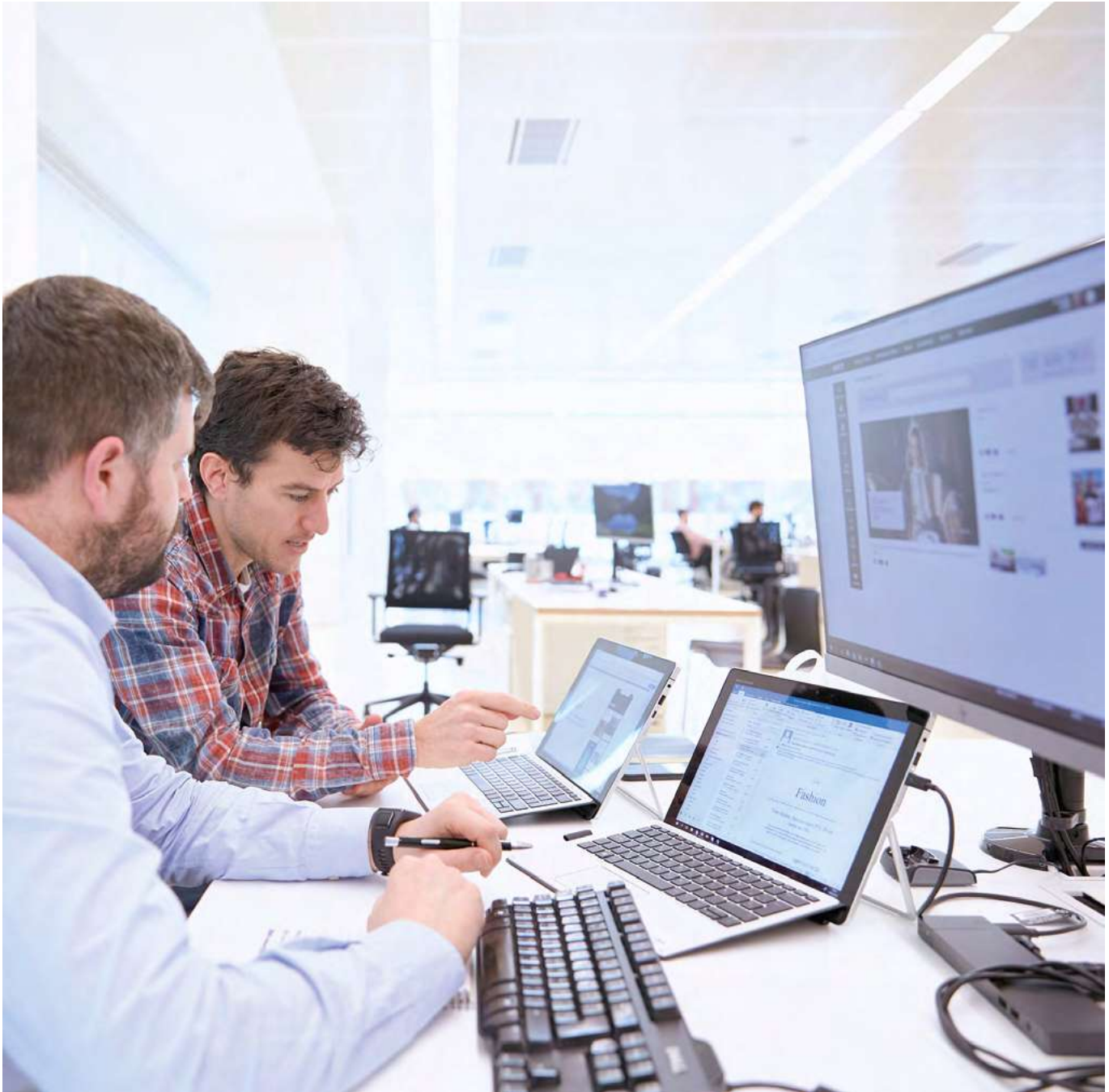
Also, we have launched working groups in response to this year's rise in cyber attacks on companies worldwide, although with no significant impact on Company operations as of the date of this report. These groups, under the supervision of the Information Security Committee, are designed to scrutinise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

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

1.5.2. Data protection and privacy

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

The customer is the centre of our business. This year, in which innovation and digitisation have been fundamental in customers' shopping experience, work has been done with the business teams in the projects that have been developed and that involve the data processing, to ensure they have privacy incorporated in their design and by default. The aim is to ensure that our



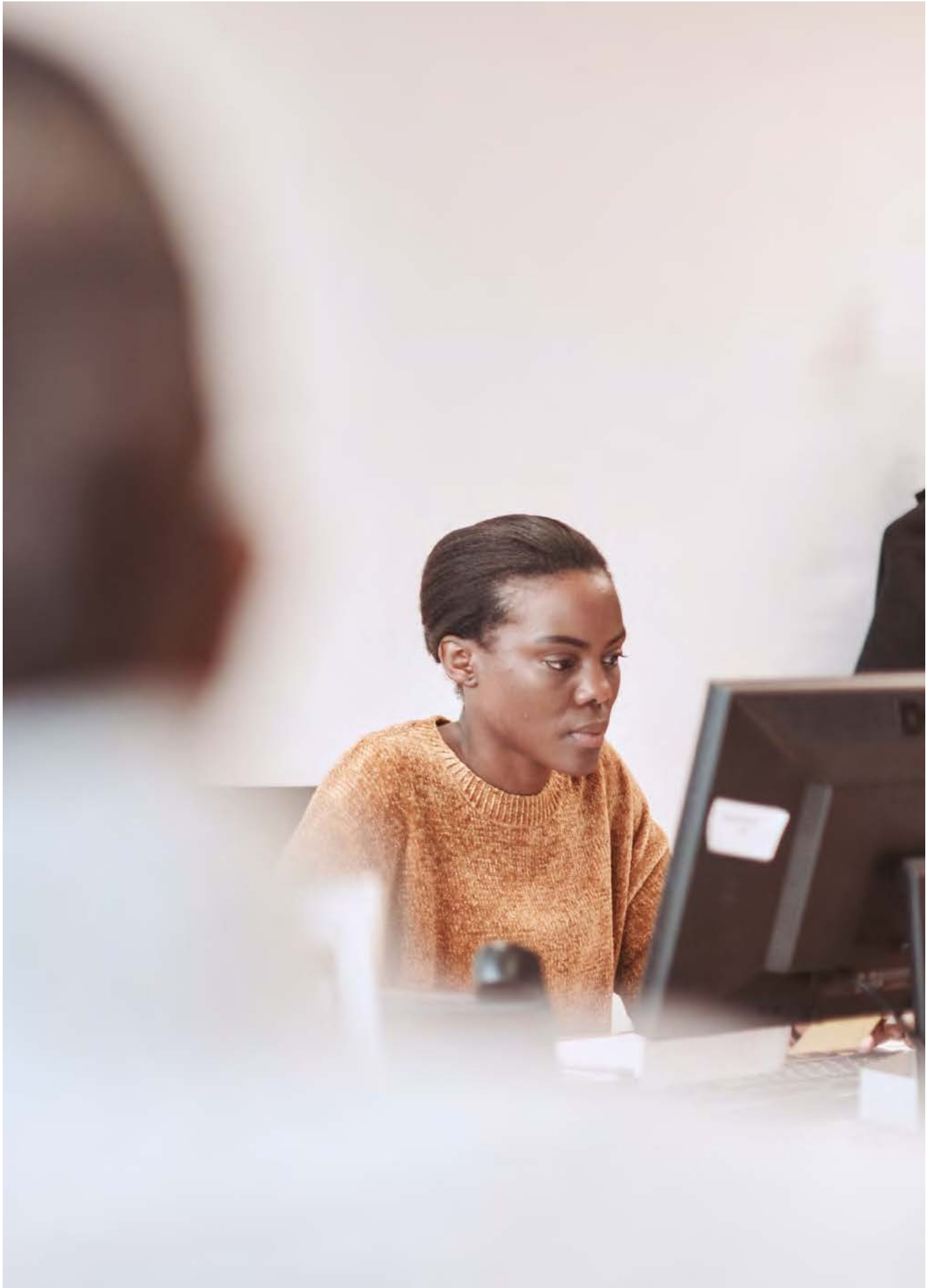
customers' personal data are protected in accordance with applicable regulations and internal standards adopted by Inditex, and to ensure transparency and information on the use of their personal data and the effectiveness of their rights.

At the same time, we have updated our websites and apps, allowing our customers and users to self-manage their privacy in line with our compliance model for cookies and similar technologies.

Throughout the 2020 financial year, close collaboration took place with the Occupational Health and Safety

area to ensure that the measures to protect our employees' health in the face of the covid-19 pandemic also comply with the Company's privacy rules and internal standards.

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



Robust Compliance architecture

1.6. Robust Compliance architecture

RELATED MATERIAL TOPICS:

ETHICAL BEHAVIOUR AND GOVERNANCE; RISK MANAGEMENT AND CONTROL SYSTEMS



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

1.6.1. Internal corporate ethical culture

The development of an ethical corporate culture is essential to this Compliance System. This System is

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

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





Inditex operates a robust Compliance System to demonstrate its firm commitment to good governance and social and environmental sustainability while transmitting its ethical corporate culture to all stakeholders

Code of Conduct and Responsible Practices

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

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

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



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

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

Code of Conduct for Manufacturers and Suppliers

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

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

 More information on the practical application of the Manufacturers and Suppliers Code is found in Paragraph 3.4. *Sustainable management of the supply chain*, in this Annual Report.

1.6.2. Compliance and criminal risk prevention system

a) Strategy

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

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

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

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

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

- The Group's Code of Conduct (Paragraph 1.6.1. above).
- **The Compliance Policy:** that establishes the commitments that our employees must assume, regardless of their geographical location and position.
- **The Compliance Management Procedure:** that develops the content of the aforementioned Policy and establishes the organisational measures to prevent, detect and manage the Risks of Non-compliance, reinforcing a culture of ethical compliance.

Criminal Risk Prevention Model

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

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

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

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

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



CRIMINAL RISK PREVENTION POLICY

Associating ethical conduct commitments undertaken in the Code of Conduct and Responsible Practices with those offences which the Company intends to avoid.

It expressly prohibits the offering, granting, requesting or acceptance, directly or indirectly, of gifts or rewards, favours or compensation, in cash or in kind, and of whatever nature, or from whatever authorities or officials, and it includes specific guidelines for dealing with officials and administrators.

The Policy is accessible to all employees on the Company's intranet.



CRIMINAL RISK PREVENTION PROCEDURE

The Criminal Risk Prevention Procedure establishes, among other things, the roles and responsibilities of departments with control and verification functions for the Model, as well as the function of reporting to the Ethics Committee in the area of criminal risk prevention, as well as the Company's organisational measures on the matter.



RISK AND CRIMINAL CONTROLS MATRIX

That (i) lists the criminal risks; (ii) provides a breakdown of the risk events applicable to Inditex's operations; (iii) establishes the controls that have been established to prevent the occurrence of such risks; (iv) assigns the department responsible for carrying out the controls and reporting the evidence of their execution; and (v) the frequency with which they must be reported (hereinafter, also called the "**Matrix**").

Anti-corruption regulations

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

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

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

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

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

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

- Conflicts of Interest Policy

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

- Anti-Money Laundering and Terrorist Financing Policy

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

- The limitation of cash receipts in stores, by which the control mechanisms for cash receipts from customers are implemented; and the identification and analysis of potential risks from our business partners, suppliers and other third parties, in accordance with due diligence measures implemented in our internal regulations (the *Due Diligence* Policy and Procedure) and, where applicable, the relevant legislation.

Due diligence

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

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

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

The obligation to submit to this due diligence process is established for all business partners, large clients, suppliers and third parties with whom we have business relationships.

It is a necessary precondition for initiating business relations with third parties.

It establishes the prohibition of maintaining business relations with third parties for whom compliance risks have been detected, and for whom an action plan has not been implemented to remedy or mitigate those risks.

It shall be carried out in accordance with the **principles of reasonableness and proportionality**, applying different analysis levels based on criteria such as turnover, sector or market risk, or other elements.

Within the framework of the Due Diligence system, we also have the Procedure for Limitation of Business Relations with Suppliers in Restricted or Unauthorised Markets, which establishes limitations on procurement with

suppliers, allowing for procurement only with suppliers domiciled in markets authorised by the Group (i.e. those that meet the legal and business operating criteria), and the making of payments to those that, in compliance with the first requirement, also have bank accounts that are domiciled in said markets.

Prevention of crime and corruption models outside Spain

Furthermore, **at local level**, the implementation of **compliance models** has continued in 2020, providing compliance with the regulatory requirements in each jurisdiction where we have a presence, and the process of approval of the criminal risk prevention and anti-corruption models has been initiated, with full alignment and coordination with the system implemented in Spain, which also operates as a global system.

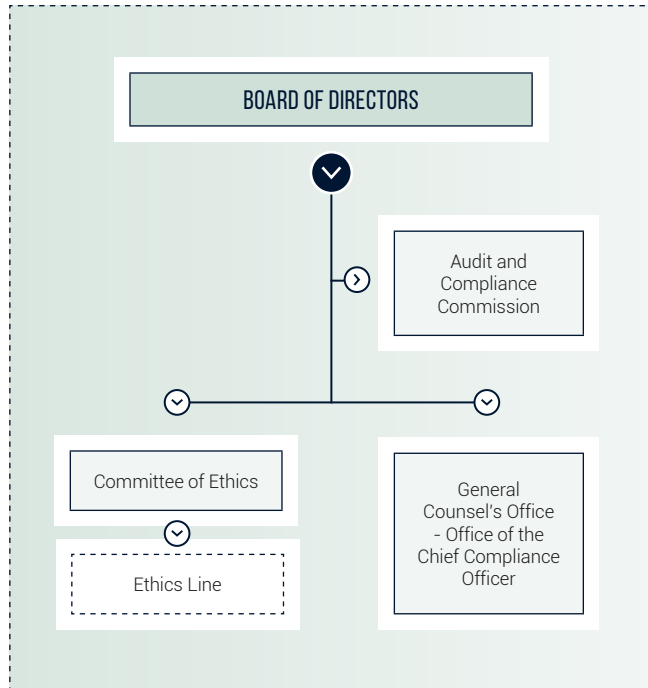
Also in 2020, the roll-out of two models in Mexico and Brazil has commenced, with the aim of complying with the legal requirements in these jurisdictions, always in alignment with the Model. In both cases, they have been subject to prior internal audit diagnosis and external legal advice, in order to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

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

	DESCRIPTION OF THE MODEL	REGULATION OR REFERENCE STANDARD	STATUS
FRANCE	Anti-corruption model	<i>Loi Sapin II</i>	2nd monitoring cycle
ITX RE DAC	Anti-corruption model	<i>Criminal Justice Act</i>	2nd monitoring cycle
UNITED KINGDOM AND IRELAND	Anti-corruption model	<i>UK Bribery Act</i>	2nd monitoring cycle
ITALY	Crime prevention model	<i>D. Lgs. 231/2001 - Administrative liability for offences</i>	Review and update of the model
RUSSIA	Anti-corruption model	<i>Criminal Code Anti-corruption guidelines</i>	In the process of implementation
TURKEY	Anti-corruption model	<i>Criminal Code Anti-corruption guidelines</i>	In the process of implementation
MEXICO	Crime prevention model	N/A	Implemented

b) Compliance

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



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

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

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

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

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


c) Committee of Ethics and Ethics Line

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




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

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



Enquiries and/or doubts about the **interpretation or application** of the Code of Conduct and Responsible Practices and the Group's Code of Conduct for Manufacturers and Suppliers, as well as any other **internal rules of conduct** within the competences of the Ethics Committee.



Non-compliance in relation to the **Code of Conduct** of the Group, as well as any other internal rules of conduct within the competences of the Ethics Committee, of which they are aware, which may affect Inditex, and which have been committed by employees, manufacturers, suppliers or third parties with which Inditex has direct employment, business or professional relationship.

Therefore, non-compliance and irregularities related to **corruption, fraud and bribery may also be reported.**

mechanisms, as well as international best practices in the field of Human Rights. In particular, this procedure offers the following **guarantees and safeguards** of the parties to the process:

Maximum confidentiality.

Presumption of innocence and preservation of the **right to honour of the accused.**

No retaliation.

Appropriate use of the **personal data** processed.

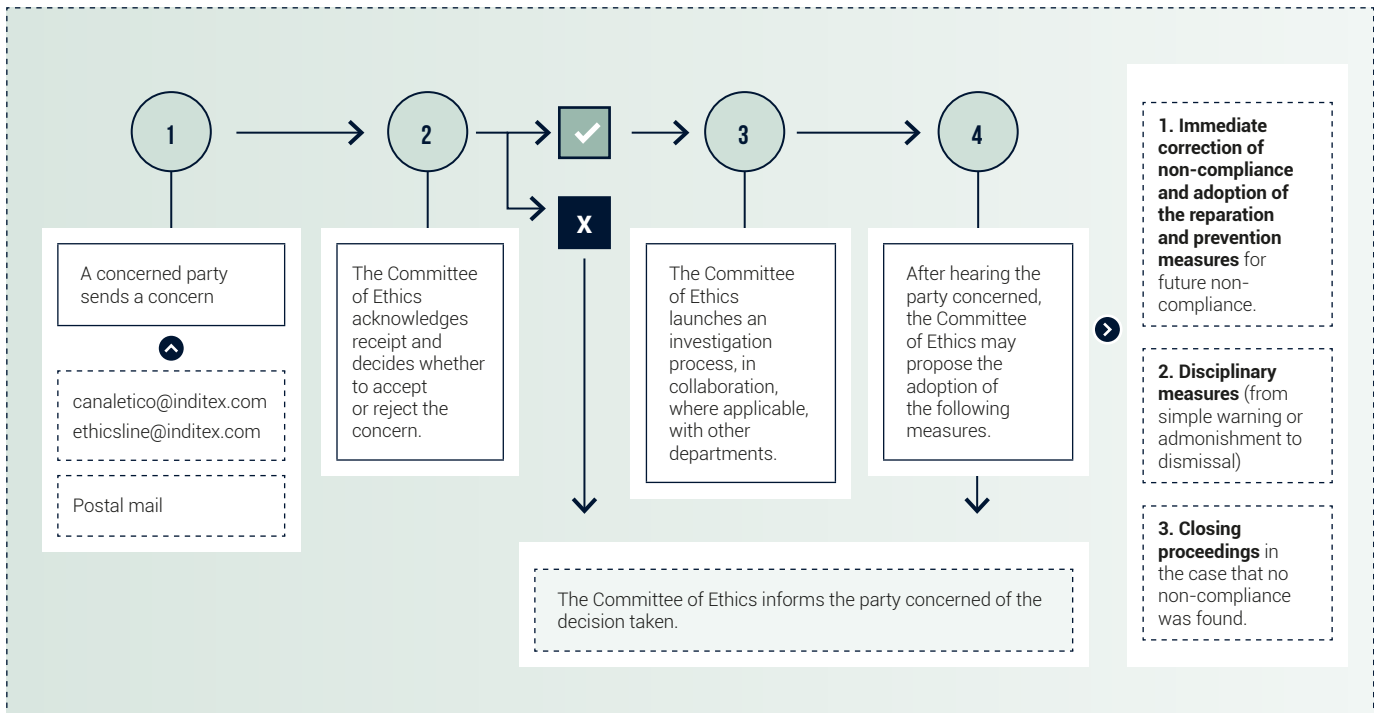
Right of hearing of the parties.

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

The Procedure, which was amended by the Board of Directors in December 2019, is found to be adequate for the regulatory requirements in relation to **protection of personal data** and **rights of users in grievance**



Operation of the Ethics Line



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

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

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

Breakdown of communications by topic⁽¹⁾



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

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

(1) According to the Navex classification.

Cases relating to corruption, fraud and bribery⁽²⁾

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

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

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

d) Training, communication and awareness-raising

Internal and external communication and dissemination

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

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

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

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

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

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

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

(2) Incidents of this nature are included in the "Integrity in Business" category.

REGULATIONS	CATEGORY	APPROVAL DATE	
Procedure on the Financial Transaction Authorisation Flow	Procedure	08/04/2020	
Instruction on the Creditor Payment Currency	Instruction	10/06/2020	
Standards for development of the Financial Risk Management Policy	Credit Risk Management Procedure	Procedure	13/10/2020
	Balance Sheet Currency Risk Procedure	Procedure	13/10/2020
	Forward Flow Risk Procedure	Procedure	13/10/2020
Third Party Financial Risk Management Procedure	Procedure	20/10/2020	
Instruction for Withdrawal of Items at Point of Sale in Stores	Instruction	06/10/2020	
Policy for Communication of Economic-Financial, Non-Financial and Corporate Information	Policy	14/12/2020	

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

REGULATIONS	CATEGORY	APPROVAL DATE	LATEST UPDATE	
Diversity and Inclusion Policy	Policy	12/12/2017	14/12/2020	
Procedure to cancel orders	Procedure	14/02/2018	08/10/2020	
Financial Investment Policy (formerly Investment Policy)	Policy	10/12/2014	14/12/2020	
Financial Risk Management Policy	Policy	09/12/2015	17/03/2020	
Enterprise Risk Management Policy	Policy	09/12/2015	14/12/2020	
Sustainability Policy (formerly Corporate Social Responsibility Policy + Environmental Sustainability Policy)	Corporate Social Responsibility Policy	Policy	09/12/2015	14/12/2020
	Environmental Sustainability Policy	Policy	09/12/2015	14/12/2020
Diversity of Board of Directors Membership and Director Selection Policy (formerly, Director Selection Policy)	Policy	09/12/2015	14/12/2020	

Training methods

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

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

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

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

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

1. New employee hires

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

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

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

GROUP	SUBJECT	REGION	ATTENDEES
NEW EMPLOYEES			
Corporate HQ employees	Compliance	Spain (in person)	33
		Spain (online)	18
Foreign subsidiary employees	Compliance	China (online)	11
		Ukraine (online)	
		United States (online)	

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

	% TOTAL		
GEOGRAPHICAL AREA	2020	2019	2018
SPAIN	1.8%	14.9%	13.7%
REST OF EUROPE	11.0%	31.5%	33.2%
AMERICAS	16.5%	34.2%	42.0%
ASIA AND THE REST OF THE WORLD	25.2%	44.9%	45.6%
TOTAL	10.8%	29%	29%

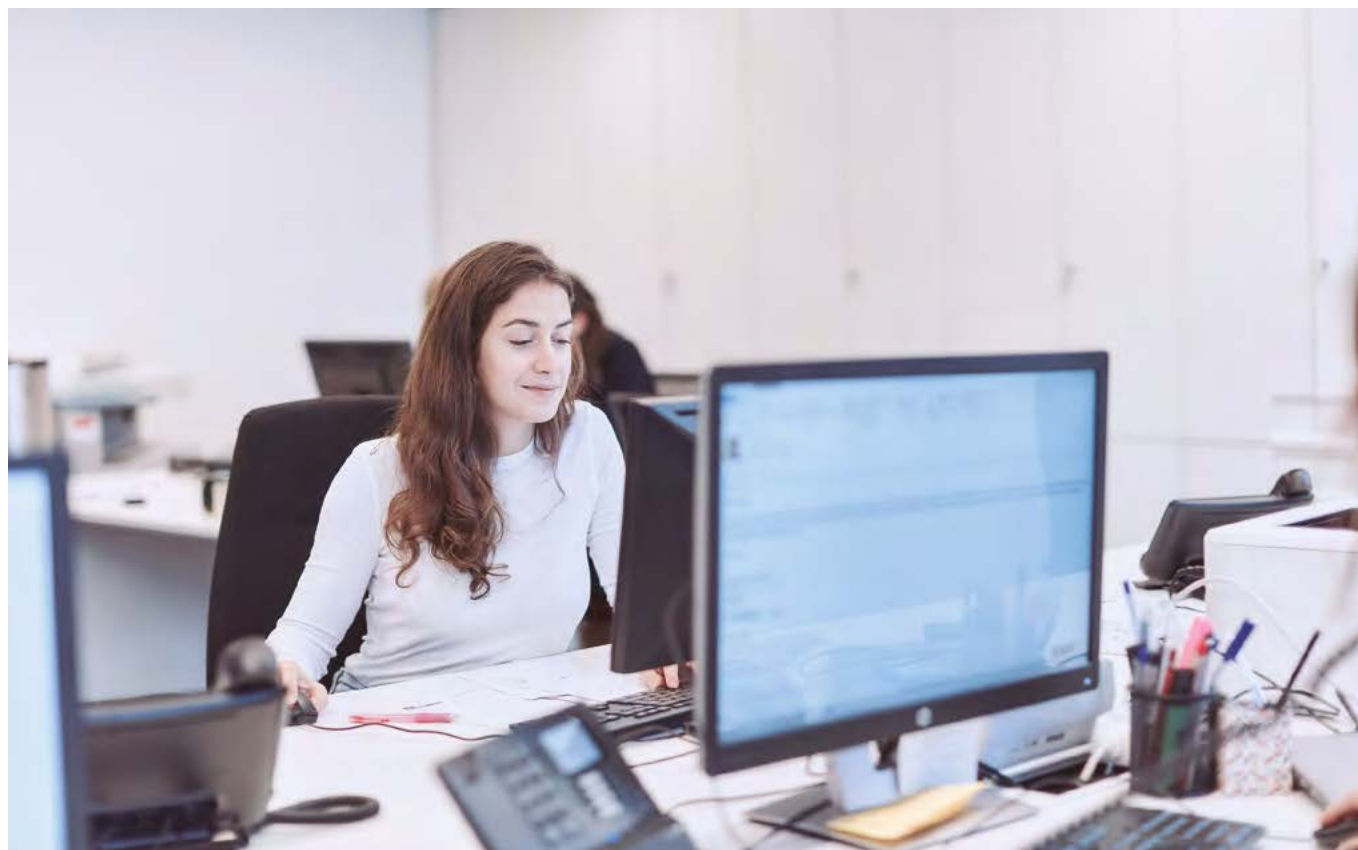
	% TOTAL		
PROFESSIONAL CLASSIFICATION	2020	2019	2018
MANAGEMENT	0.7%	1.8%	3.3%
SUPERVISORS	0.4%	1.6%	4.2%
SPECIALIST	13.4%	34.6%	33.9%
TOTAL	10.8%	29%	29%

2. Existing employees

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

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

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



GROUP	SUBJECT MATTER	REGION	ATTENDEES
GOVERNING BODIES SENIOR MANAGEMENT			
Zara Holding Supervisory Board	Compliance	The Netherlands (online)	11
Subsidiary corporate management	Compliance Prevention of bribery and corruption	Turkey (online)	6
ITX Trading Management	Compliance	Switzerland	1
Bangladeshi Management	Compliance	Bangladesh	1
HQ	Ethics and Compliance	Spain (online)	145
CORPORATE HQ			
HQ staff, formats, logistics and factories	Compliance	Spain (online)	1,938
HQ staff foreign subsidiaries (local Due Diligence reviewers)	Due Diligence procedure	Belarus (online) China (online) United States (online) Turkey (online) Croatia (online) Ukraine (online)	10
Personnel subject to Internal Regulations of Conduct (IRC)	Internal Regulations of Conduct (IRC)	Spain (online)	2
HQ staff Purchasing and Contracting	Internal regulation communication	Spain (online)	11
HQ staff Risk Management	Internal regulation communication	Spain (online)	4
Subsidiary corporate personnel	Compliance	Switzerland (online)	8
Personnel chains (BSK, ZARA KIDS, LFT, PB, STR, ZARA SRA, ZARA MAN) and Administration - Sustainability	Compliance	Bangladesh (online)	49
Subsidiary HQ staff	Code of Conduct, Integrity Policies and Ethics Line	Mexico	111
ITX Trading personnel	Code of Conduct.	Asia	116
Subsidiary HQ staff	Code of Conduct.	China	375
STORES LOGISTICS-DISTRIBUTION FACTORIES			
Kiddy's Class store staff	"Good morning" – Compliance	Spain (in person)	236
Zara Spain store staff	"Good morning" – Compliance	Spain (in person)	2,624
Zara Home store personnel – Store Managers	"Masterclass" – Compliance	Spain (online)	130
		Germany (in person)	506
		Finland/Denmark/Norway/Sweden (online)	569
		Austria	3,542
		France	4,906
Subsidiary chain store staff	"Good morning" – Compliance	Romania	2,112
		Russia	2,007
		Switzerland	34
		Turkey	189
		Ukraine	824
		Argentina	1969
Subsidiary chain store staff	Code of Conduct.	Uruguay	452
		Brazil	264
		Mexico	909

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

corruption, fraud and bribery, and conflicts of interest - the Integrity Policies and the Ethical Line.

This is one of the most important training courses, as: (i) the workforce of the Zara, Zara Home and Zara.com sales teams represent 42.7% of the total number of employees that make up the Group's sales teams (30% and 36.9% of employees in 2019 and 2018, respectively); and (ii) the groups to which this training is aimed at, employees of other departments and areas that, while

not belonging to the sales teams, are also exposed to a high risk of corruption, have been extended.

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

Furthermore, it is essential to pass on the culture of corporate ethics and compliance and to raise awareness amongst third parties with whom we have a direct business relationship. In this regard, throughout the 2020 fiscal year, the **online training sessions** on the culture of compliance and corporate ethics taught by the General Secretariat-Regulatory Compliance Management to the **supplier cluster** located in **Bangladesh** stand out, as reflected below:

GROUP	SUBJECT MATTER	REGION	ATTENDEES
SUPPLIERS			
Supplier clusters	Compliance	Bangladesh	111

Awareness-raising and education measures

1. Acceptance of the Code of Conduct:

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

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

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

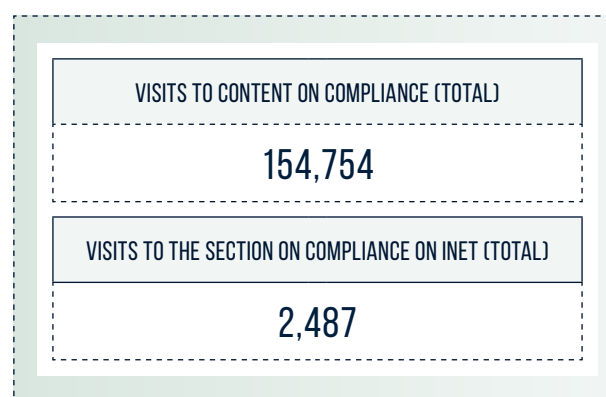
2. Annual reminder of the prohibition of gifts – Ethics Committee:

The Ethics Committee sends an annual email with a reminder of the provisions contained in the Code of Conduct and Responsible Practices and the Policy of Gifts and Business Courtesies, relating to the acceptance and receipt of gifts from suppliers, attaching a letter template to be sent to the Group's

suppliers to remind them of such prohibitions. This email is sent to Group executives and middle managers, as well as to the employees of the Spanish chains who, due to their relationship with suppliers or other third parties, need to be especially aware of the risks arising from corruption offences between individuals or businesses.

3. Compliance section on the intranet (INET) and the Company website:

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



4. Other communication and awareness actions

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

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

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

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

1.6.3. Good Corporate Governance

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

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

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

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

Committee; (iii) Remuneration Committee; and (iv) Sustainability Committee.

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

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

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

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

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

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

Inditex's corporate governance system today achieves a degree of total compliance with the regulatory requirements contained in the applicable legislation and achieves practically absolute compliance with the recommendations of the Good Governance Code of Listed

Companies of the Spanish Securities Market Commission (CNMV) (hereinafter "CBG").

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

a) Towards sustainable governance

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

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

Therefore, Inditex's Corporate Governance System offers a comprehensive vision that promotes responsible governance, to preserve the interests of our shareholders, whilst at the same time, it has become aware of and is taking responsibility for the environmental, social and reputational impact of our activity, seeking to maximise long-term corporate interest through the necessary continuous creation of value for all of our stakeholders. In this way, a socially responsible and sustainable business model is established, in continuous participatory dialogue and for the common benefit of all stakeholders involved.

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

- The integration of sustainability into corporate management and strategy

In order to adapt its organisational structure at the highest Organisation level to the Group's strategy, clearly oriented towards the field of social and environmental sustainability, the Board of Directors at its meeting of 11 June 2019, approved the creation of the **Sustainability Committee**, as an informative and advisory delegated committee, responsible for advising the Board on matters within its competence and for supervising and controlling proposals in

matters of sustainability in the areas of Human Rights, social, environmental, and the health and safety of our products, as well as promoting commitment to Sustainable Development Goals.

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

 More information can be found in the section *Our approach to sustainability* of this Annual Report.

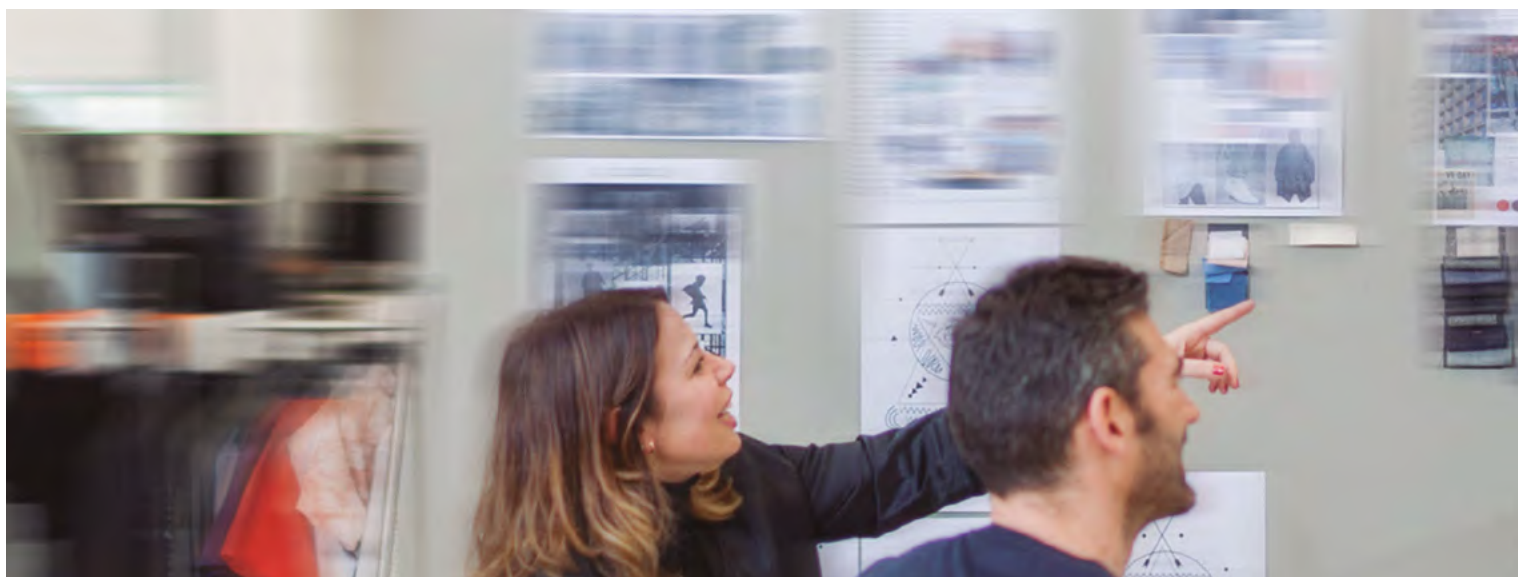
- The establishment of suitable mechanisms to reflect the expectations of our stakeholders

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

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

The **Social Advisory Board** is a permanent external body of the Company, with an advisory and consultative role in terms of sustainability, both social and environmental. It is composed of persons or institutions that are external and independent to the Group. It undertakes the role of formalising and institutionalising dialogue with those interlocutors considered key in civil society, in the locations we develop our business model and, it also plays a key role in determining the materiality matrix, in which it participates in collaboration with our stakeholders. The Social Advisory Board acts as the main interlocutor of the Sustainability Committee, maintaining an effective and continuous dialogue.

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



- Strong sustainability monitoring mechanisms

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

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

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

market. The Sustainability Committee has the power to guarantee the effective application of this policy, as far as their field of competence is concerned.

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

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

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



identification of the risks and opportunities associated with these matters.

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

In order to ensure proper monitoring, as set out in Paragraph 1.6.1.c) above, the Committee of Ethics reports to the Audit and Compliance Committee at least every six months.

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

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

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

- **Moderation:** Remuneration is proportionate to the characteristics of the Company and the business model, always based on the principle that it is neither excessive nor so insufficient that would result in taking inappropriate risks.
- **Link to the strategy:** part of the remuneration is linked to the achievement of the objectives that comprise the Group's strategy. Progress in

sustainability and environmental commitment is an important criterion.

- **Long term:** it is in line with the Company's long-term values and objectives.

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

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

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

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



For more information, see section 2.4.3. *Remuneration of directors and senior management* in this Annual Report.

The alignment of sustainability objectives to the remuneration system is extended to the Group's senior management.

i For more information can be found in the section *Our approach to sustainability* of this Annual Report.

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

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

i For more information, see section 2.2.2. *Diversity and Inclusion Policy* of this Annual Report.

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

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

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

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

With regard to gender diversity, the Committee has displayed a consistent effort in maintaining the highest levels of female representation possible. A clear example of this is that in 2019, the target established in the Directors Selection Policy in force at that time was exceeded 30% and then recommended by the Good Governance of Listed Companies.

Additionally, in the recent amendment of Inditex's internal regulations, approved by the Board of Directors at its meeting of 14 December 2020, the Committee has set a **new target of 40% of female directors out of the total number of Board members, to be reached by the end of 2022.**

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

This commitment to diversity is reflected both in the Board of Directors' Regulations and the terms of reference of the Nomination Committee, and in the **Diversity of Board of Directors Membership and Director Selection Policy**, (available in the section "*Compliance*", "*Corporate Governance sub-section*", "*Annual General Meeting area*" on the Company's website), as well as in the Group's Diversity and Inclusion Policy.

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

b) Organisation and operation of governing bodies to deal with the challenges of covid-19

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

- Annual General Meeting

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

To this end, the necessary means to guarantee equality of treatment and the exercise of their rights to attend and participate at the General Meeting were articulated and made available to our shareholders, through the use of distance communication means that allowed remote connection and in real time.

Additionally, the necessary preventive measures were implemented to preserve the health of all individuals involved in its organisation and that of our shareholders who chose to physically attend the meeting.

- Board of Directors and board committees

On the other hand, a major aspect of covid-19 has meant that the board of directors and its committees have held virtual meetings, by means of videoconference or conference call systems.

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

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

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

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

Finally, in a clear digital context, new tools have been introduced to be used by directors, in order to facilitate their participation, allowing them to be properly recognised and to cast their votes, all in a secure environment.

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

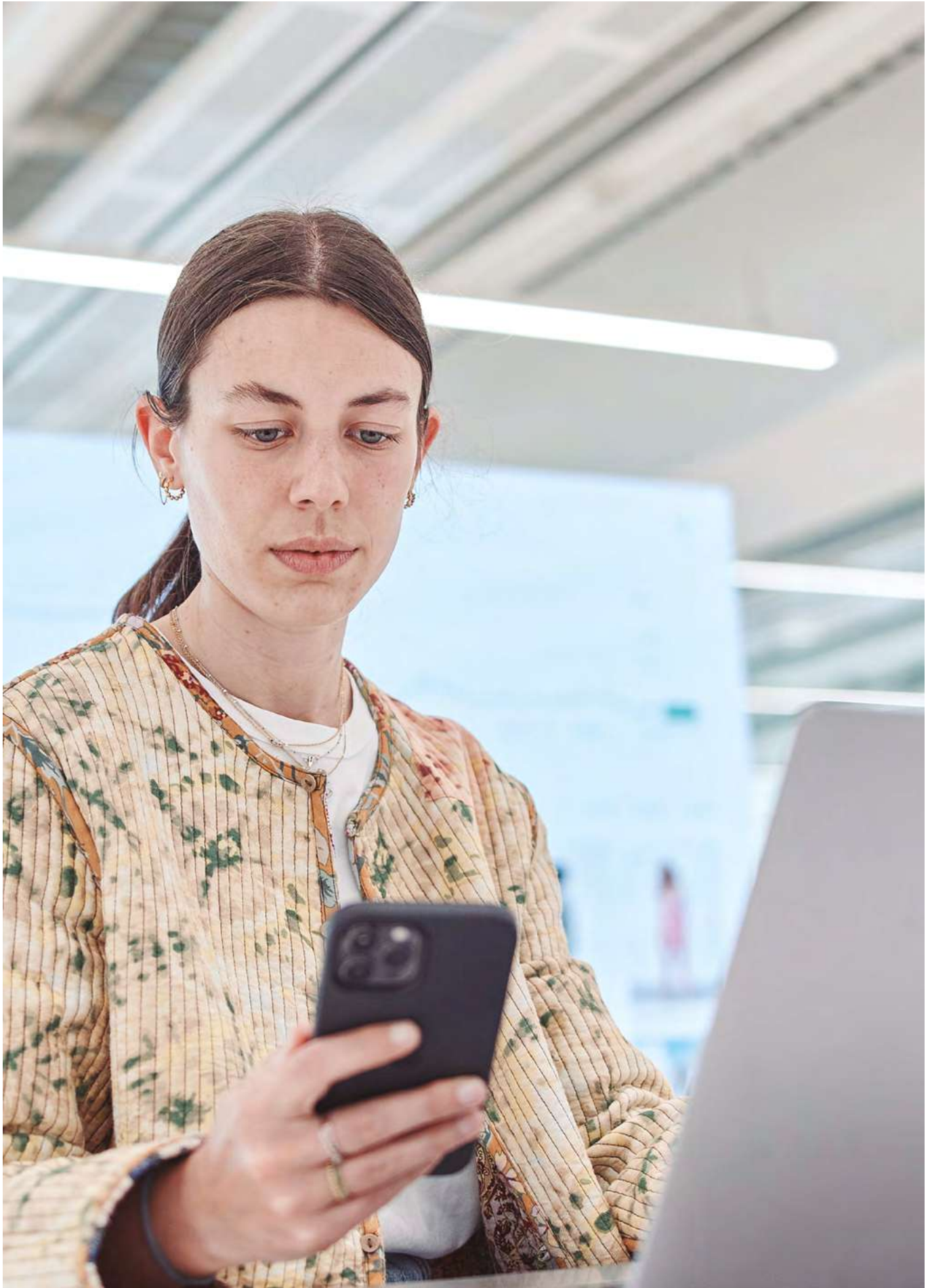
 For more information, see section 1.1. *Response to the global challenges arising from covid-19* in this Annual Report.

These matters, as well as others not covered in this Annual Report, are included in the Annual Corporate Governance Report corresponding to the financial year 2020, approved by the Board of Directors on 8 March 2021, which contains all the relevant and complete information relating to the Inditex corporate governance system, that is to say, on: (i) the structure of the property; (ii) information on the General Shareholders' Meeting; (iii) the structure and functioning of the Board of Directors and the delegated committees; (iv) the main features of directors' and senior management remuneration; (v) significant transactions, by amount or relevance, with related and intragroup parties; (vi) the risk control system; as well as (vii) the description of the internal risk control and management system in relation to the Group's financial reporting process (ICFR). Additionally, detailed and complete information on directors' remuneration, and in particular on executive directors, is available in the Annual Report on Directors' Remuneration for the financial year 2020, also approved by the Board of Directors on the same date. Both documents are available on the corporate website in the Compliance section: <https://www.inditex.com/es/compliance/buen-gobierno-corporativo/junta-general-de-accionistas>



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.

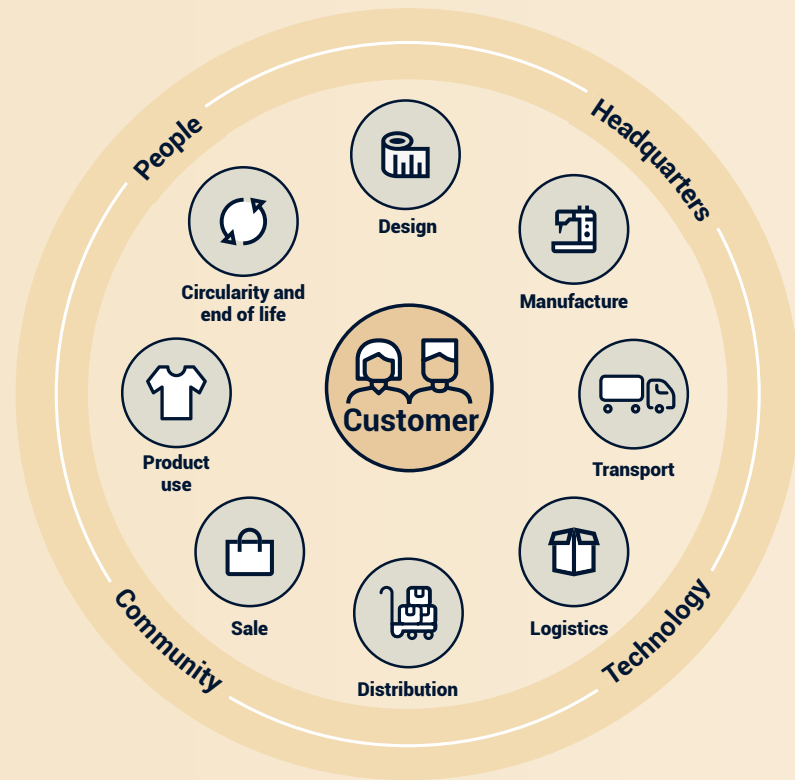
We deem ideas to be the driving force of innovation and we therefore encourage all our employees, regardless of their position, to identify opportunities for change, listen carefully to our customers and actively propose new approaches and proposals. This **cross-cutting** and **decentralised** model 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.**



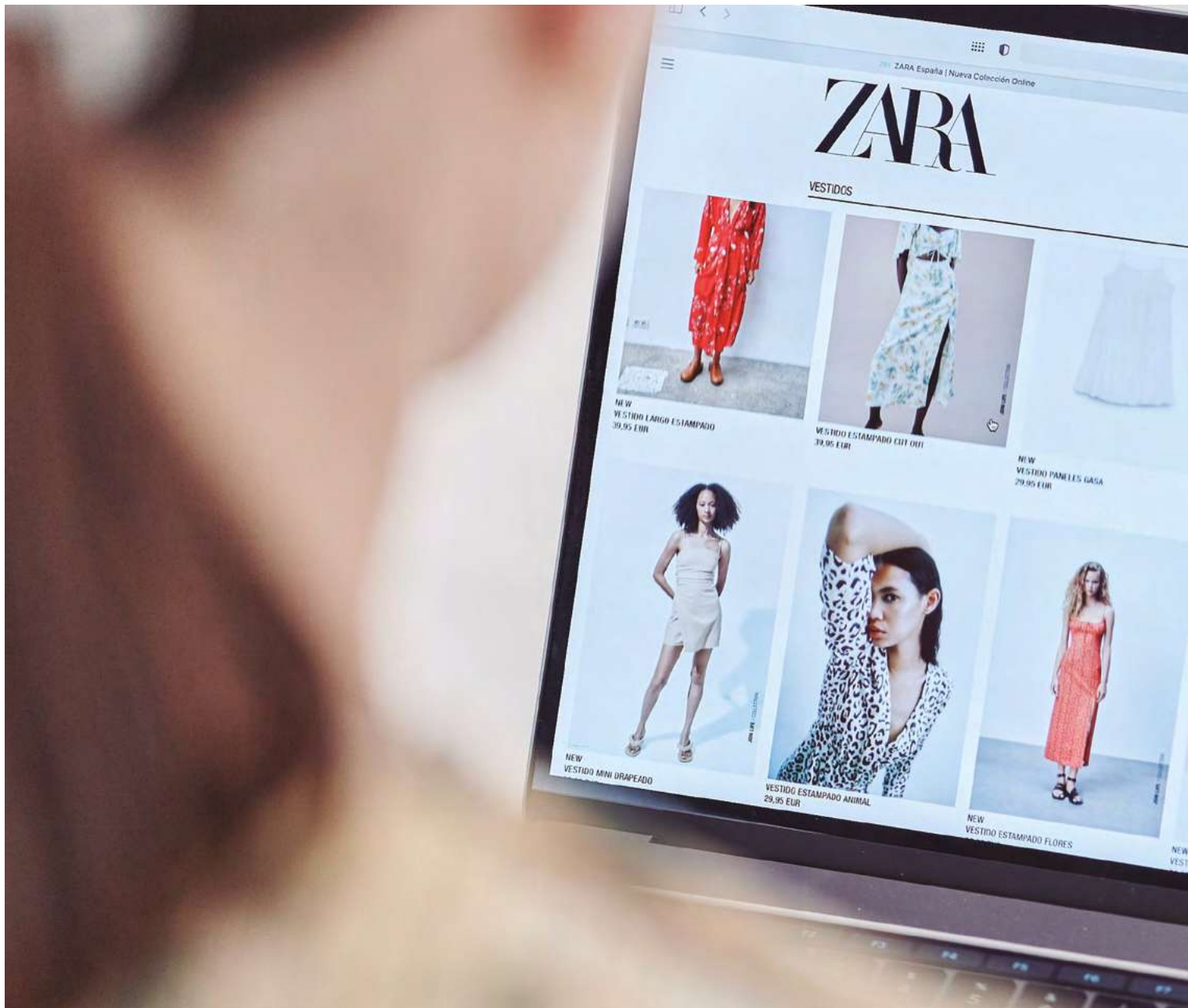
Integration

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.

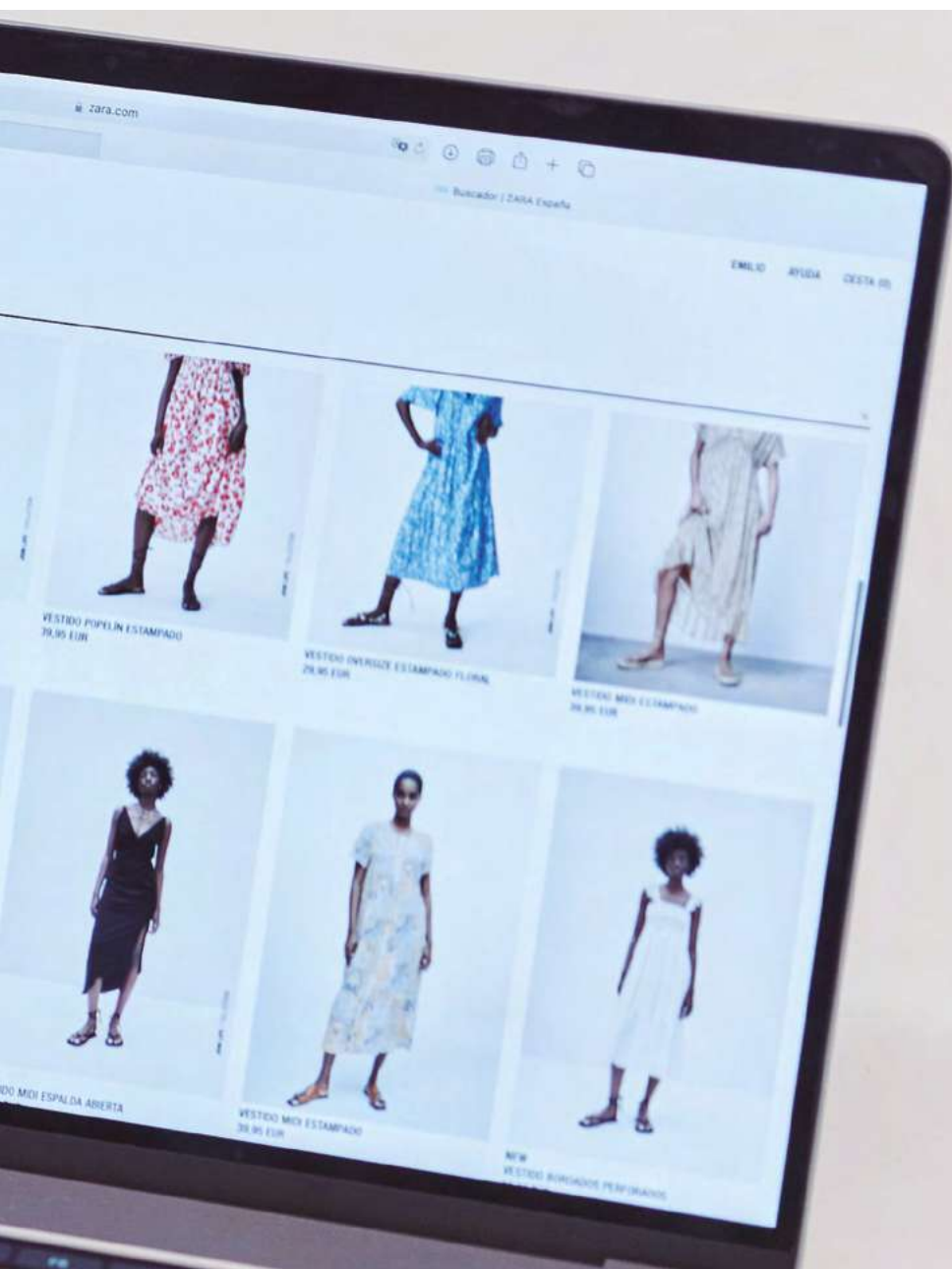


This integration requires – as a cornerstone – unified stock processing. In this area, the deployment of SINT – a clear example of innovation rolled out completely in 2020 to achieve this flexibility in the integration model – has made it possible to support the significant increase in online sales,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



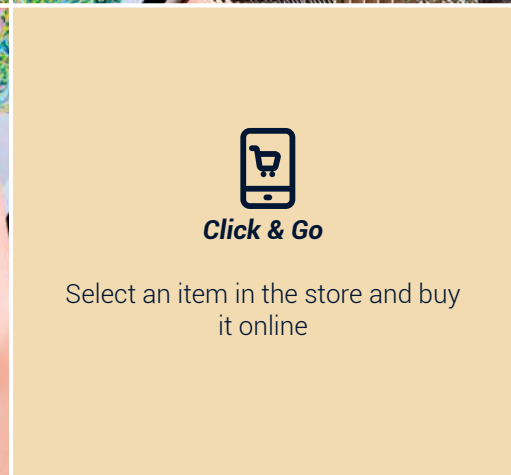
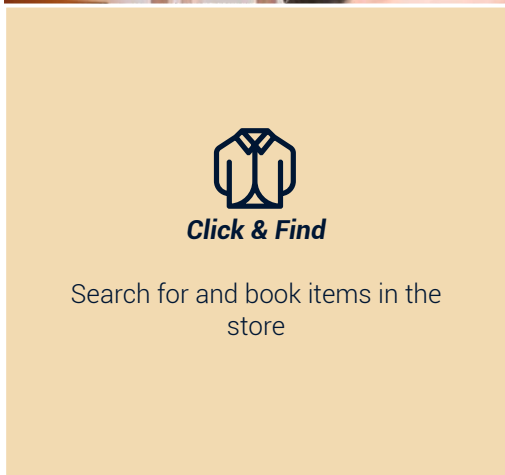
Click & Try

Book a fitting room in a store



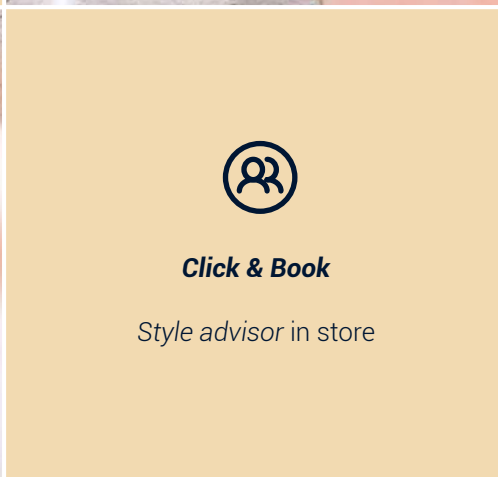
Click & Find

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

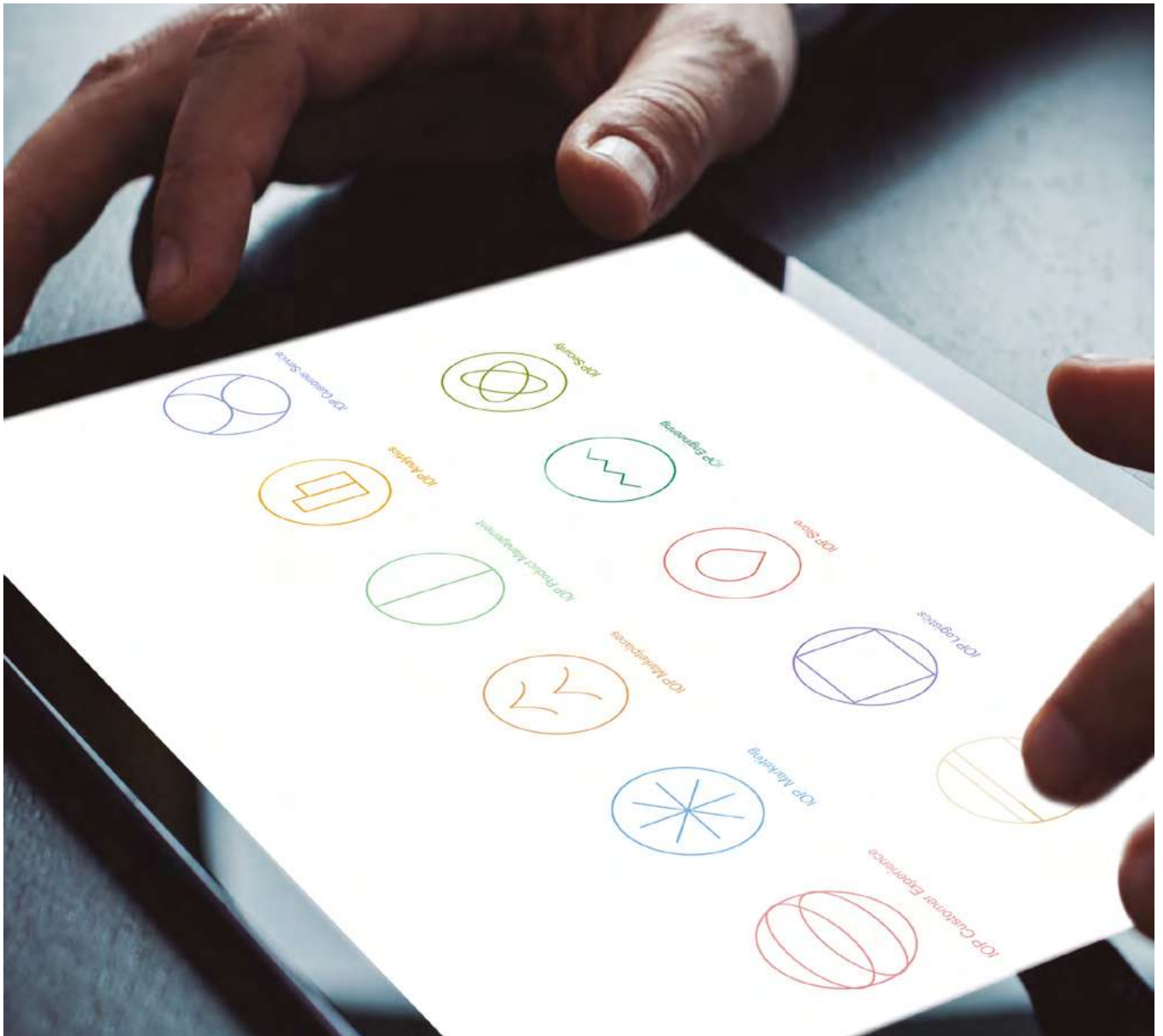
QR identification when paying at the checkout, to receive a receipt in digital format in the app and scan your receipts from previous purchases



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

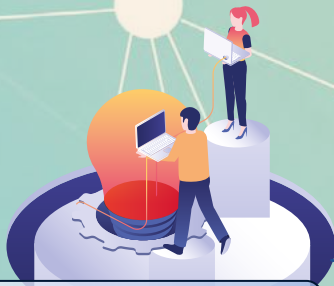
Using the Zara ID code speeds up the purchase process and offers the customer options, such as receiving e-tickets from in-store purchases, as well as quick identification for returning or exchanging items with no need for a physical supporting document.

- **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).

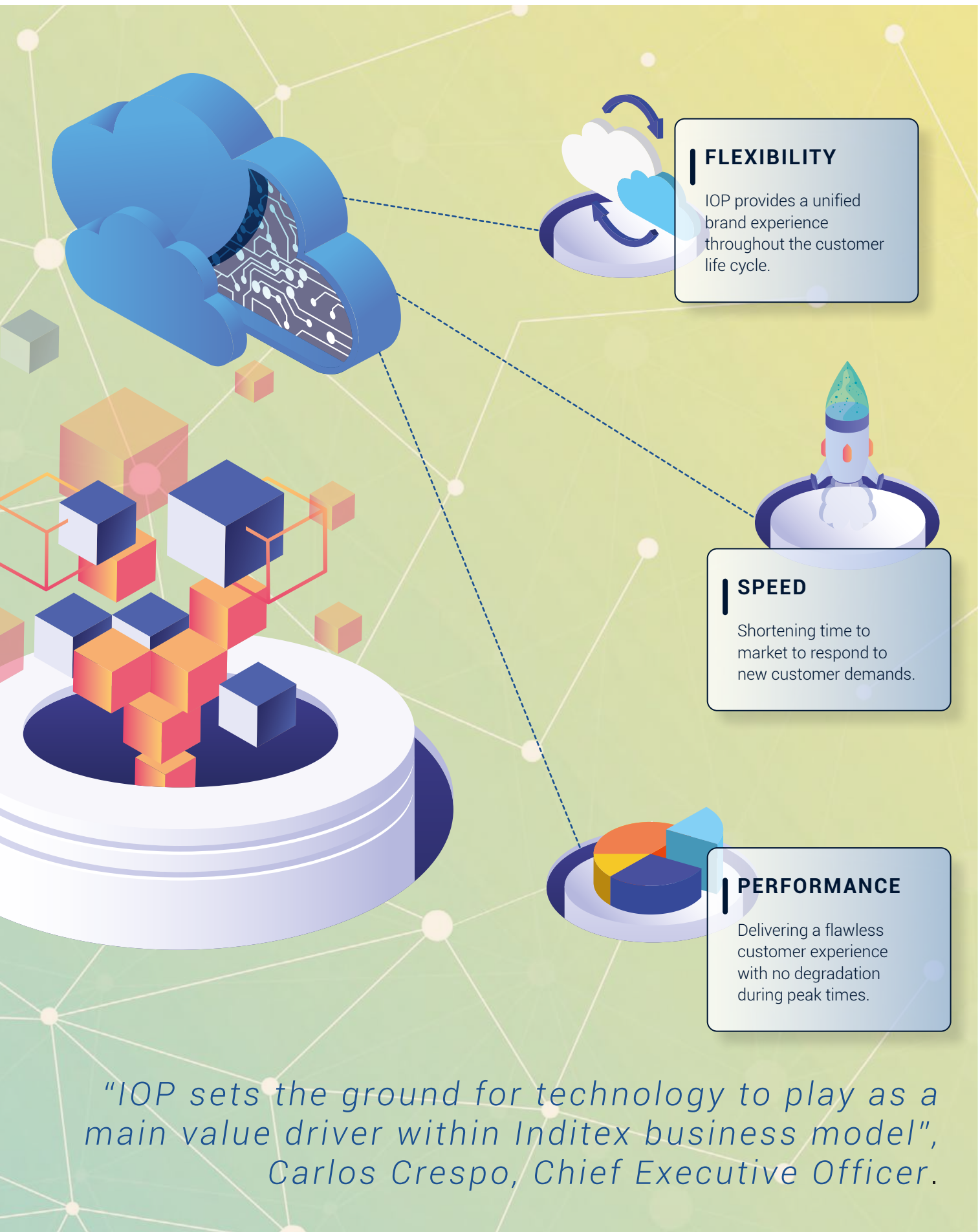
WORKING PRACTICES

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.

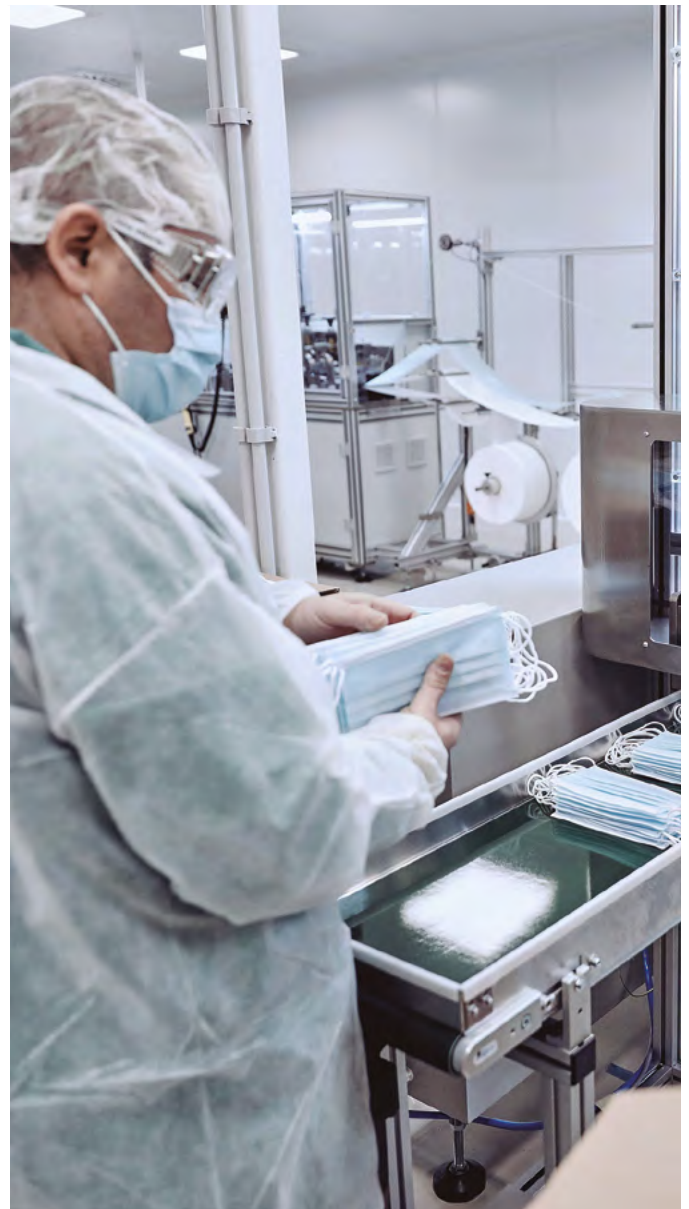
At Inditex, we consider that the relationship and the establishment of innovative partnerships with our community is key to the development of our sustainable business model. To do so, we uphold a fluid and ongoing multidirectional relationship with many local and international organisations and institutions, 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

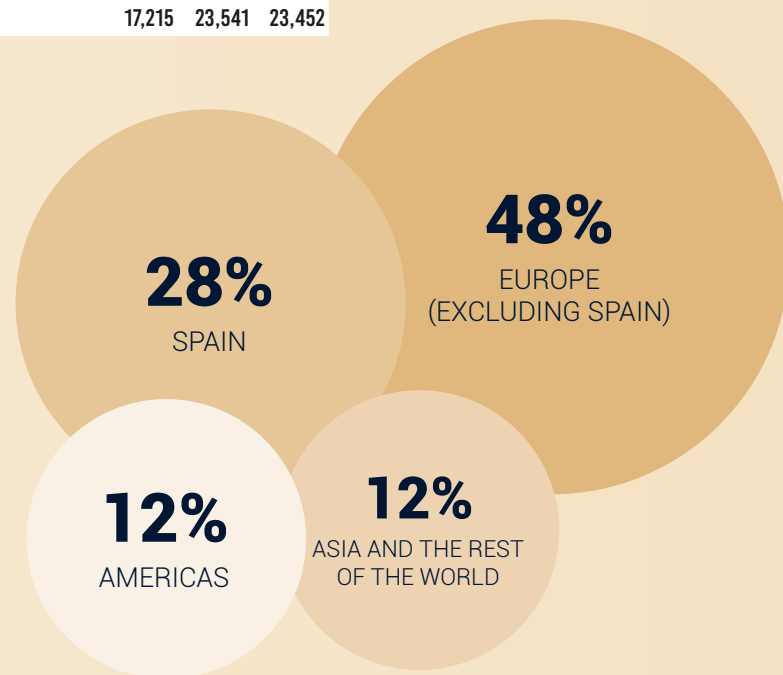
MARKET	2020	2019	2018
AUSTRALIA	1,501	1,636	1,504
BANGLADESH	62	59	57
CAMBODIA	4	6	4
MAINLAND CHINA	7,113	11,169	11,680
HONG KONG SAR	558	1,020	1,252
MACAO SAR	105	170	181
TAIWAN, CHINA	498	626	649
SOUTH KOREA	1,269	1,673	1,514
INDIA	1,173	1,294	1,227
JAPAN	3,488	4,314	3,979
KAZAKHSTAN	746	779	723
MOROCCO	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).

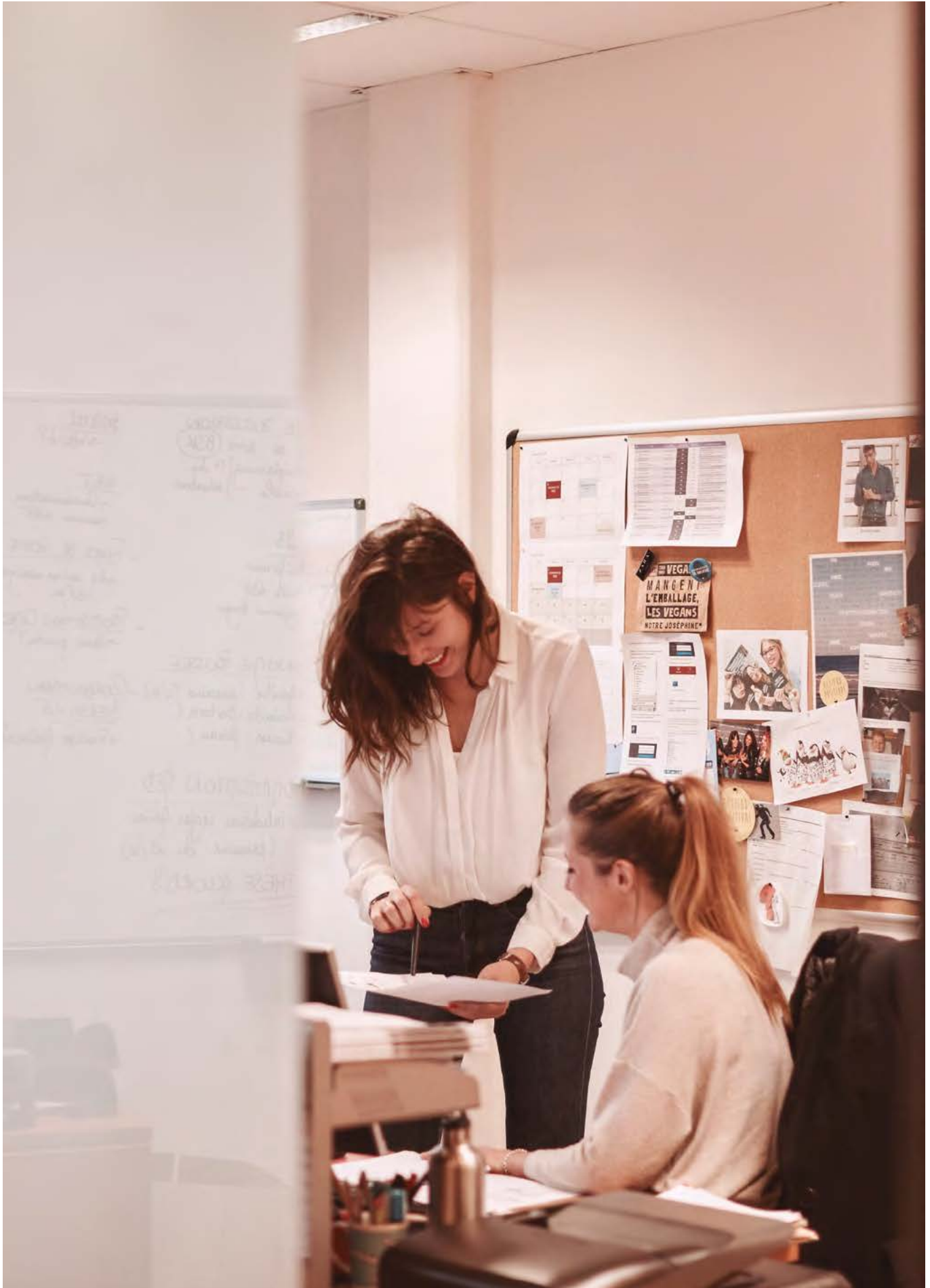
In the **international sphere**, the Inditex Group strives to **strengthen the rights protected by each country's local legislation** through conciliatory policies. Depending on their specific characteristics, different markets adopt measures related to quality of life, talent development, enhancing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

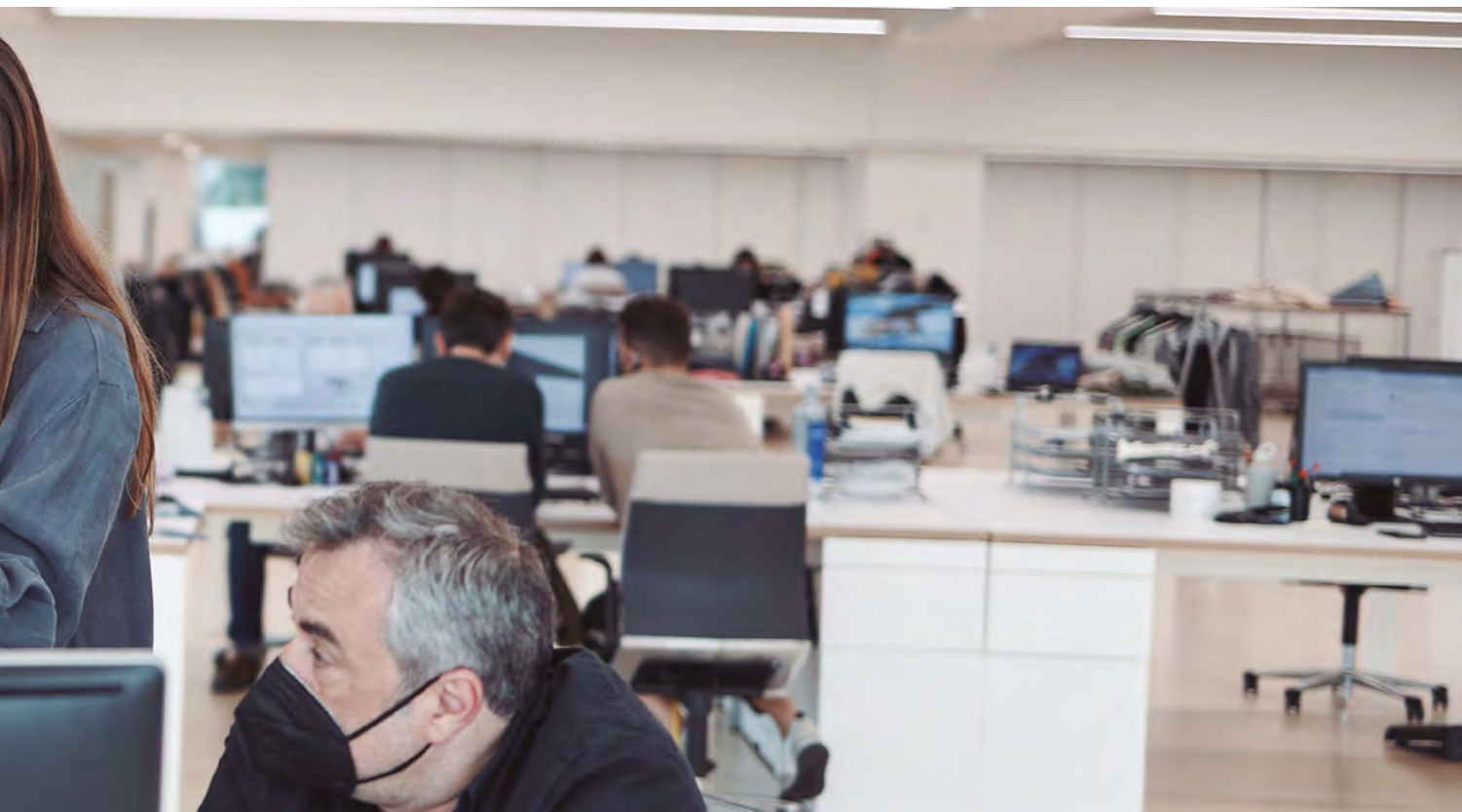
INet, the Group's intranet, is essential to how we connect with our staff. INet is operational in all our markets and can be accessed by employees through our *app* or online platform. With more than 19 million visits in 2020, it is our main channel for internal communication. Thanks to INet, we digitise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

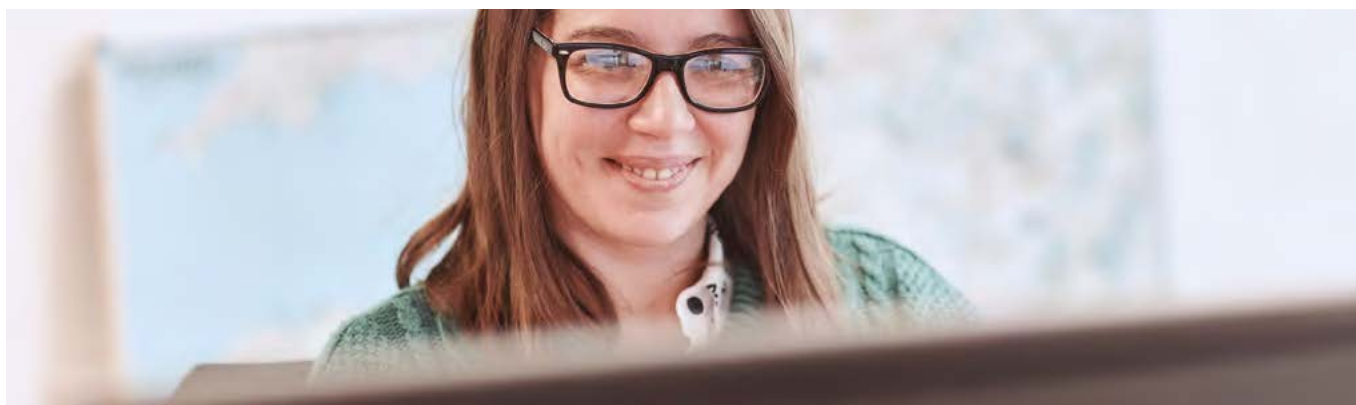
We have consistently achieved the highest scores in the *Retailing* category since our Company was first included in the index in 2002. In 2020 the Group achieved a total score of 75, placing it 51 points ahead of the industry average. In this edition, we have upheld our leadership in the industry in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

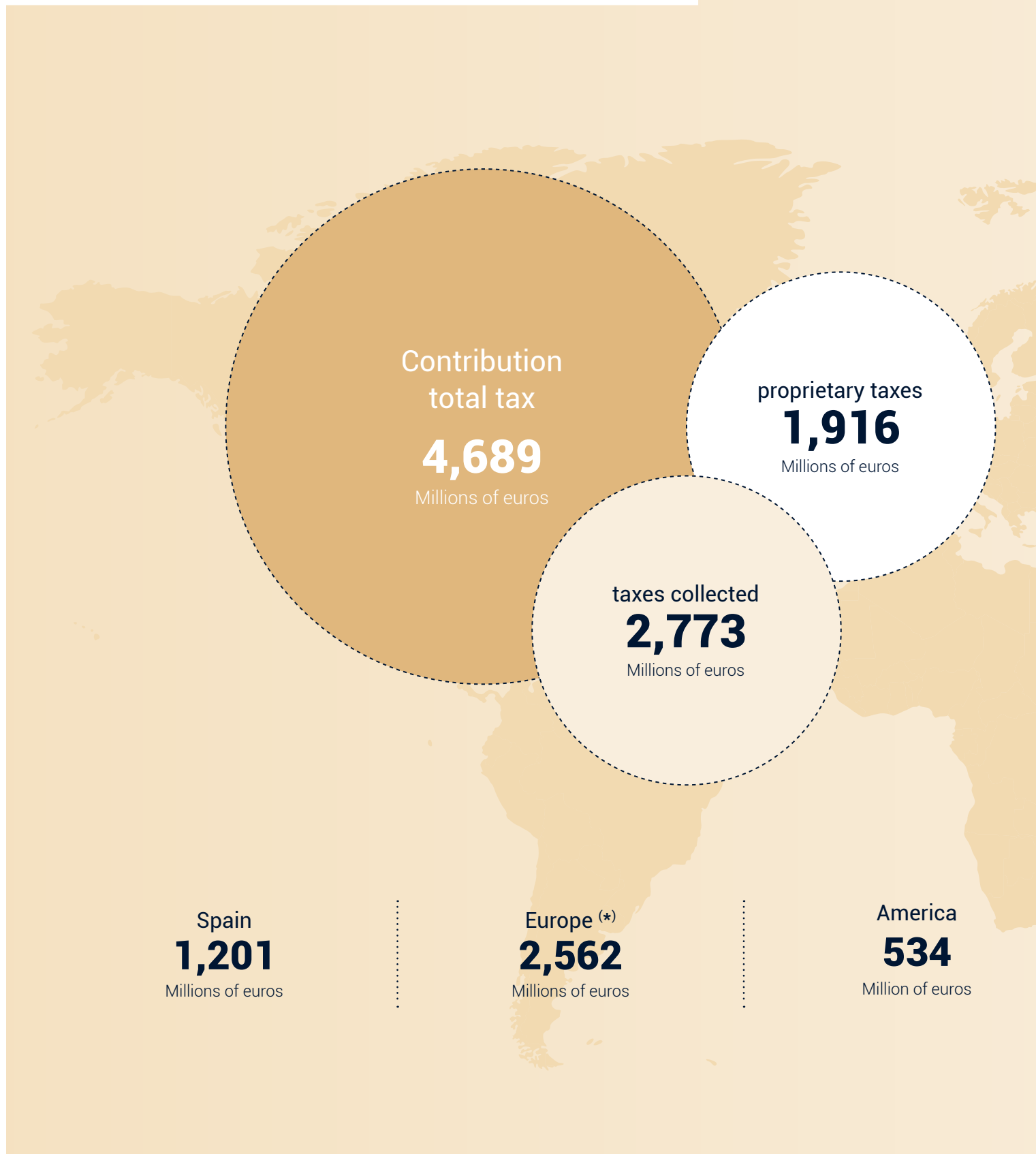
Inditex pays taxes on the profits earned across all the markets it operates in, all with different tax requirements. Given the heterogeneity of this regulatory framework, Inditex ensures that its tax management is carried out according to best practice in each territory. Moreover, the Inditex Tax Policy, 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

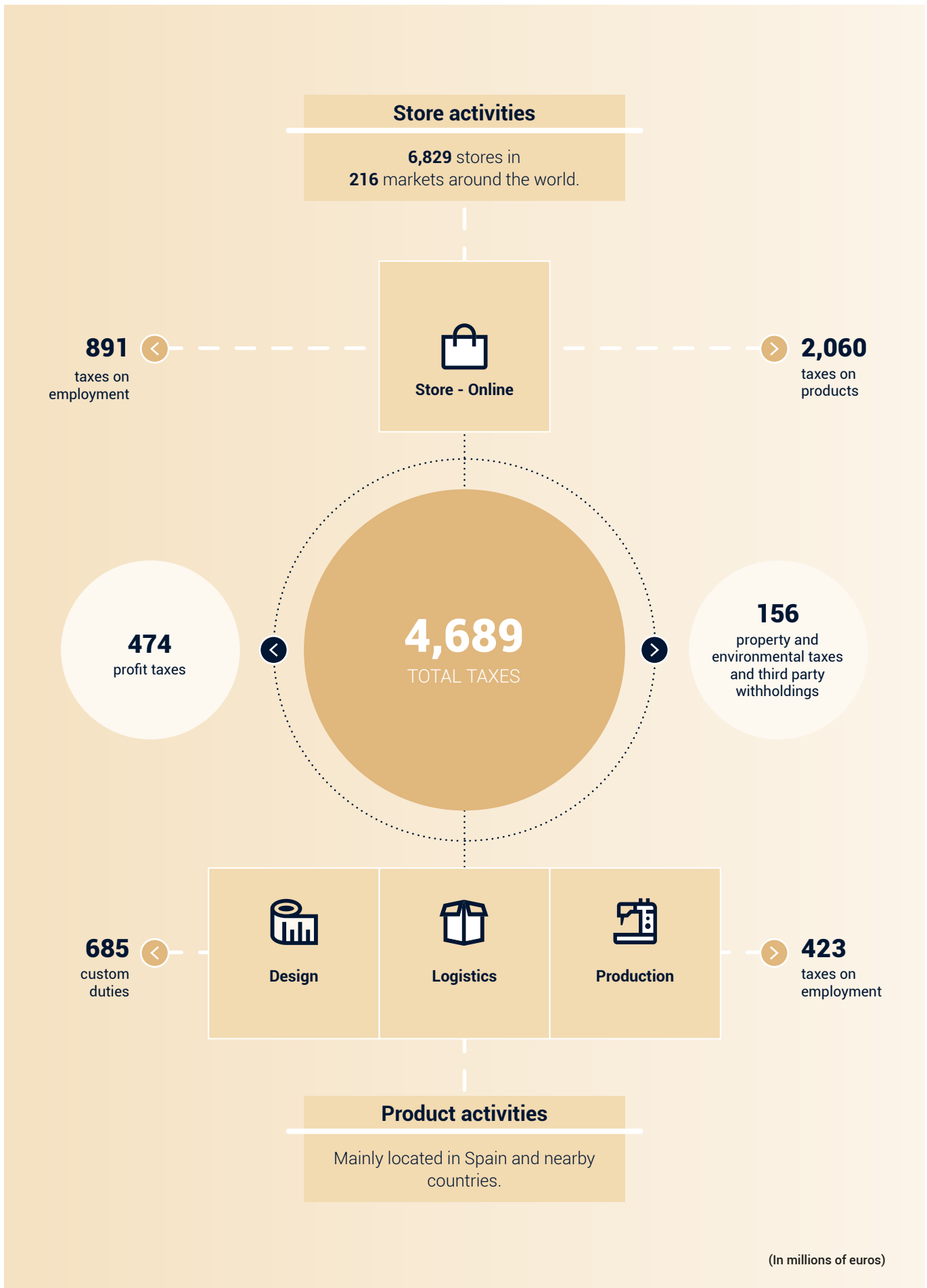
Inditex's total tax contribution. These commercial activities also generated 891 million euros in taxes on employment (19% of the total) including personal income tax and social security contributions.

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*

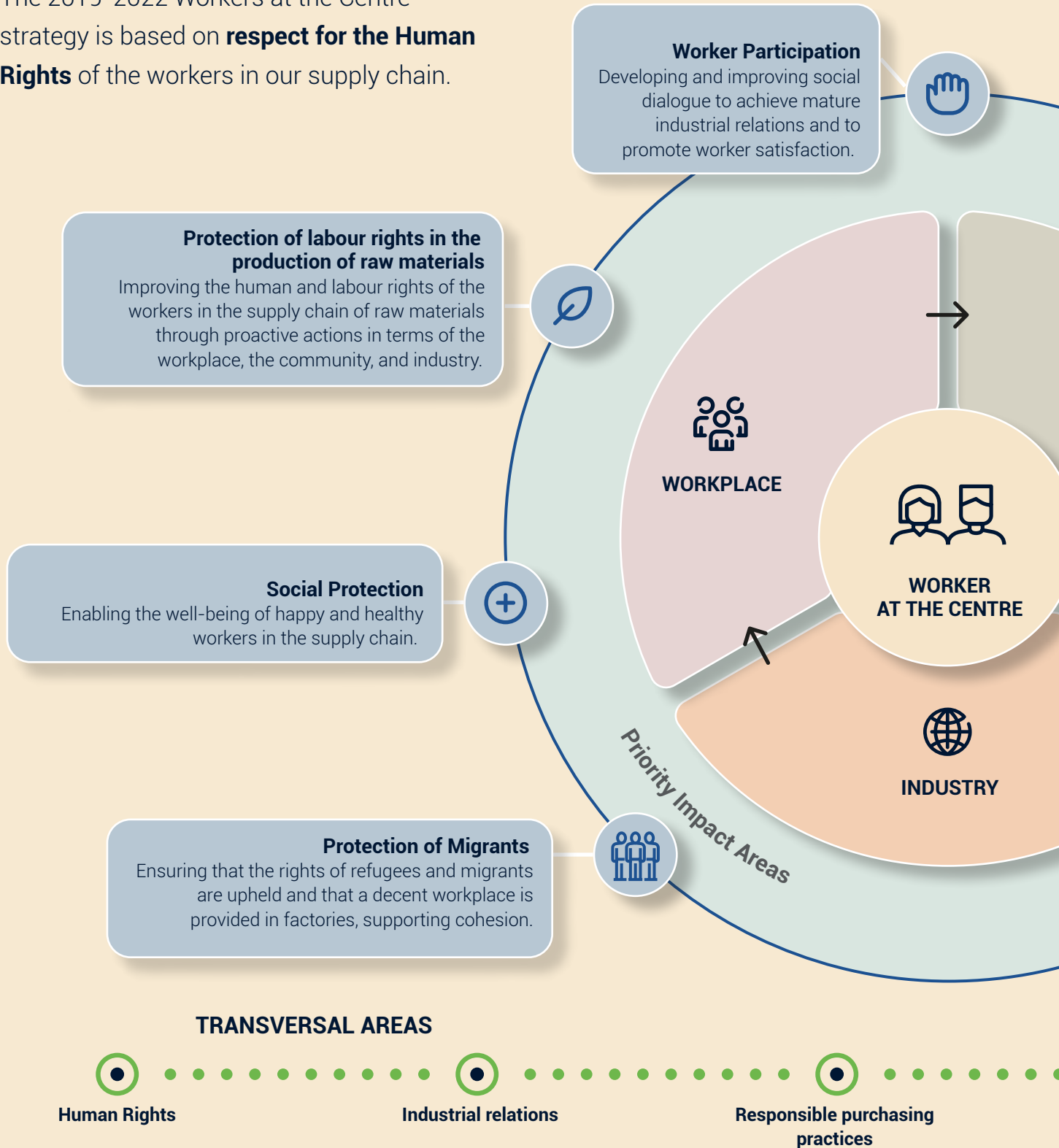
Industry, that aims to articulate an urgent response to the economic effects arising from covid-19 with emphasis on protection of workers' income, health and employment.

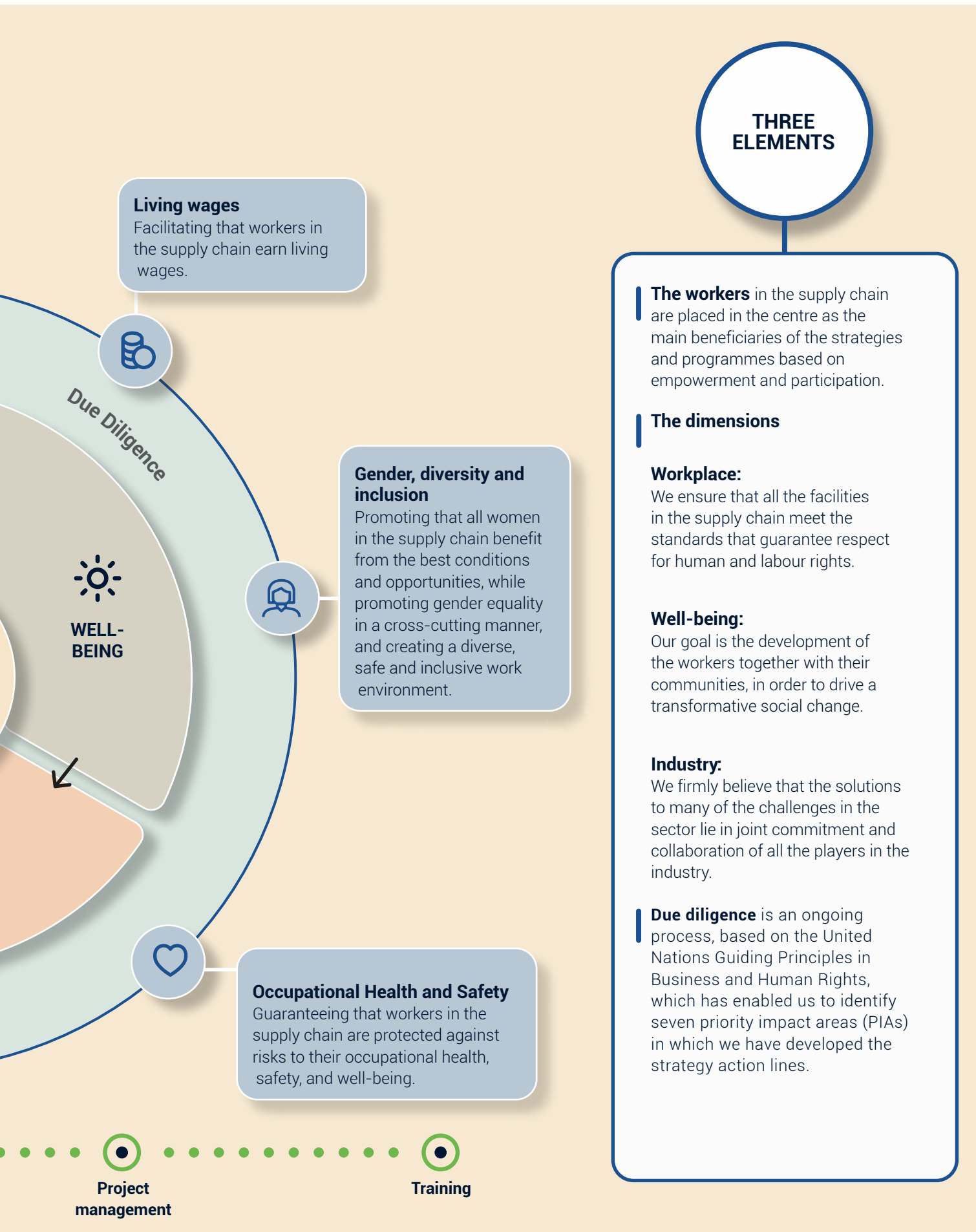
- **Economic response and recovery:** We guarantee the payment of all orders placed and in production, as well as collaborate with financial institutions to provide loans with attractive conditions for suppliers.
- **Multilateral collaboration:** Cooperation with IndustriALL and ACT, among others, to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

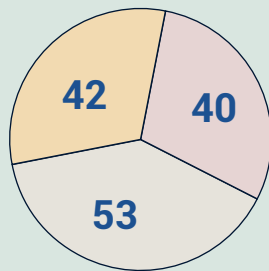
1,374

suppliers and factories reached
by the activities

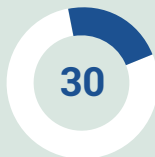
1,224,557

workers
benefited

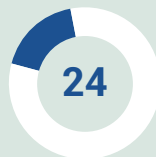
STRATEGIC PLAN ACTIVITIES ⁽¹⁾



○ 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

- 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 *Valuing Respect Project*.
- 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>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>Empowerment of workers through continuous respect of freedom of association and collective bargaining rights.</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></tr> <tr><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
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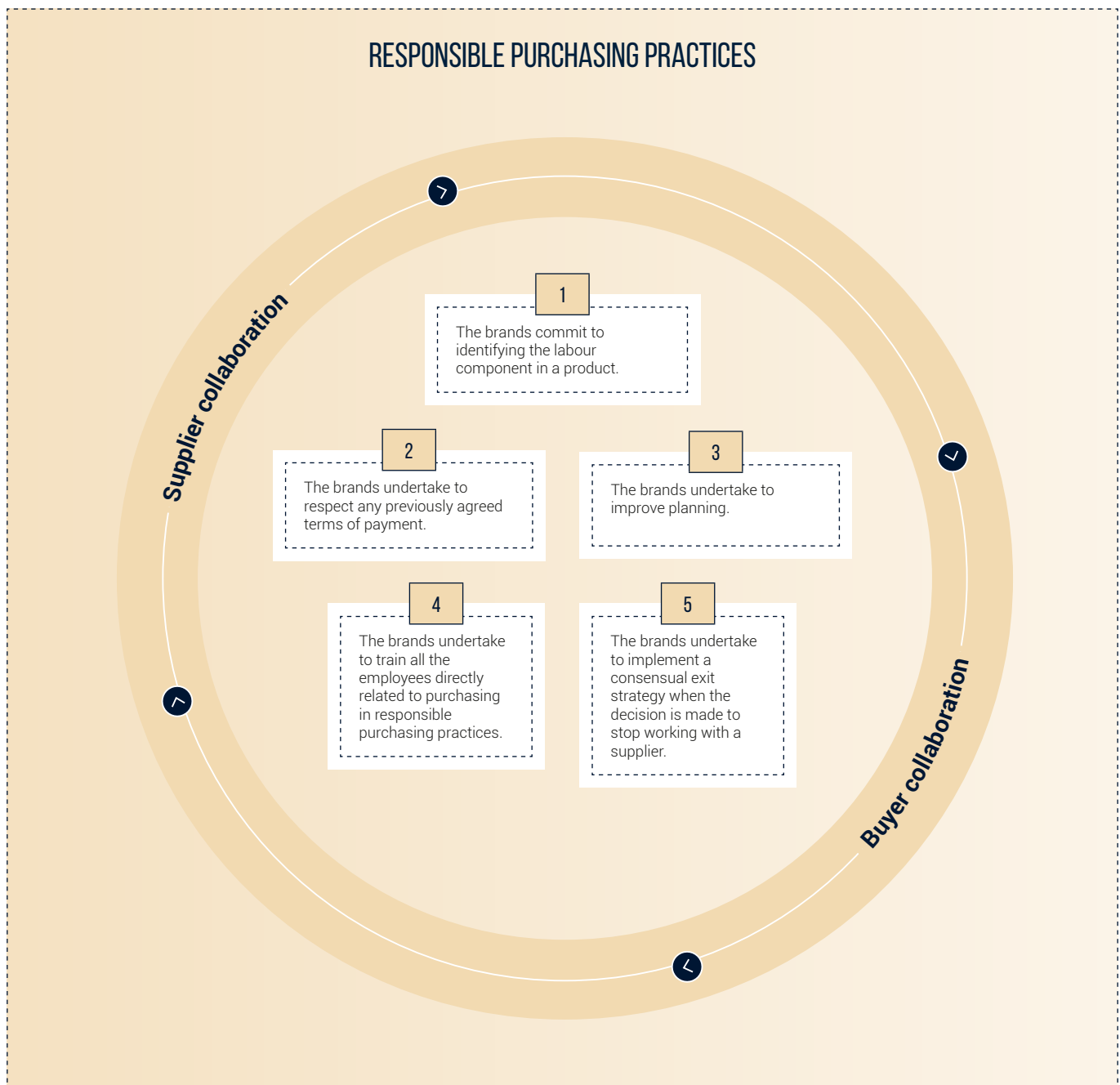
Responsible purchasing practices include all aspects related to purchasing from the perspective of the impact thereof on the conditions of the workers of the supply chain, including their wages. Purchasing planning, price setting criteria, delivery deadlines to suppliers or even the business relationship 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.

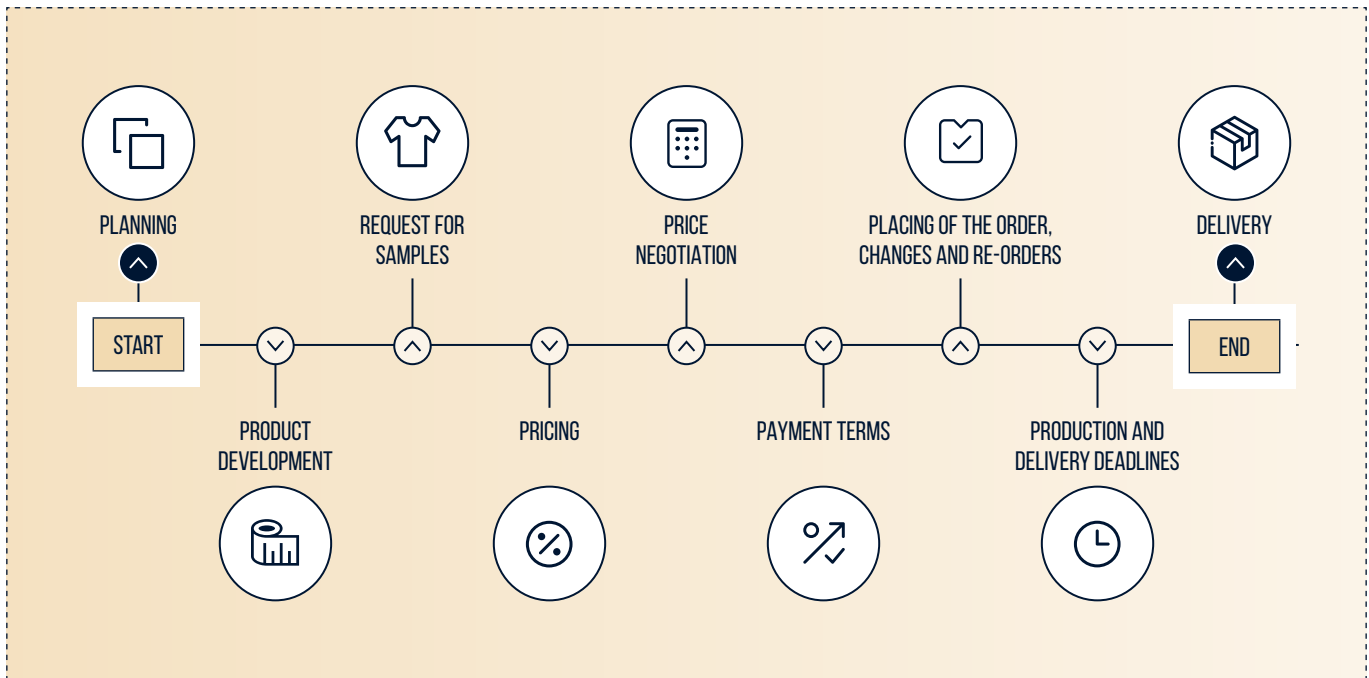
As an immediate step to combat the crisis arising from covid-19, we have guaranteed the payment of all orders already placed and in the production stage.

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.

i 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

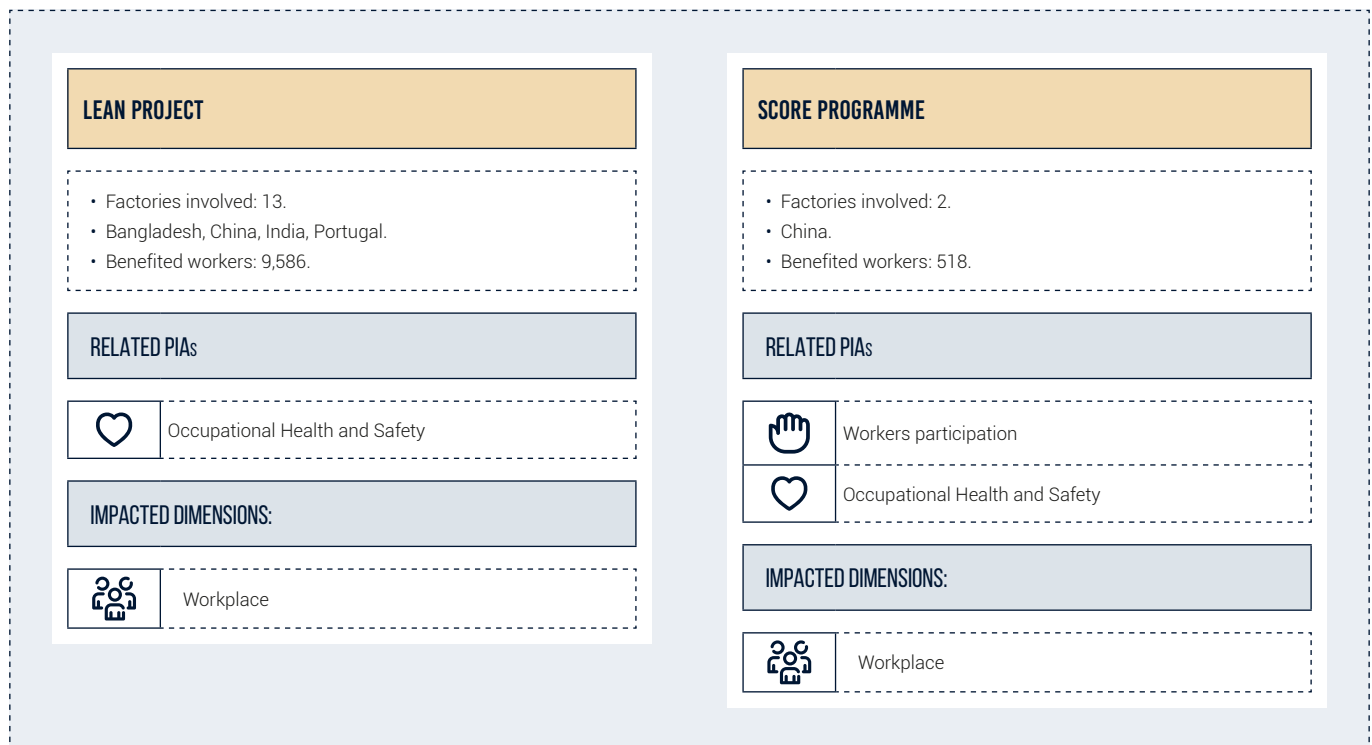
The training and capacity building of our suppliers and manufacturers on social sustainability is fundamental for the implementation of the Workers at the Centre 2019-2022 strategy. We are aware of the need to be aligned, firstly with the Code of Conduct, its applicability and compliance, and then with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



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.

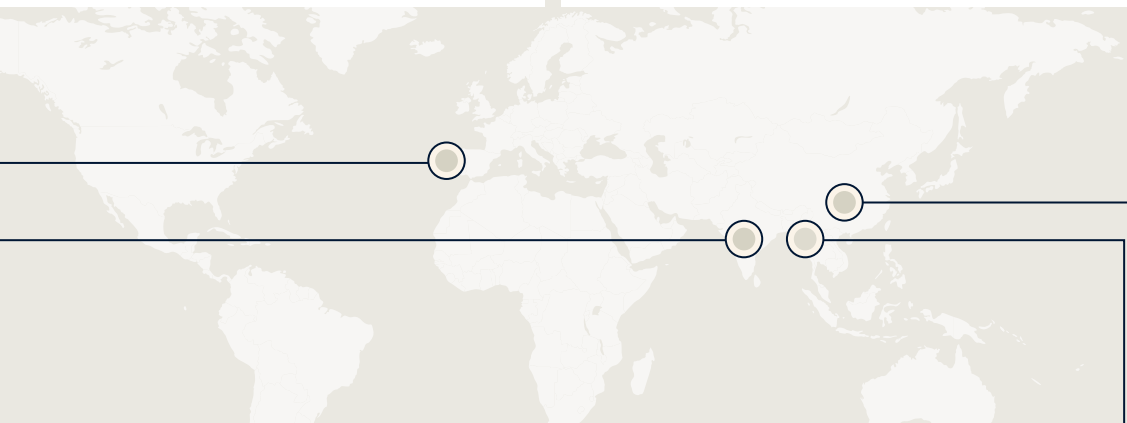
The project is developed for and on behalf of the workers.

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

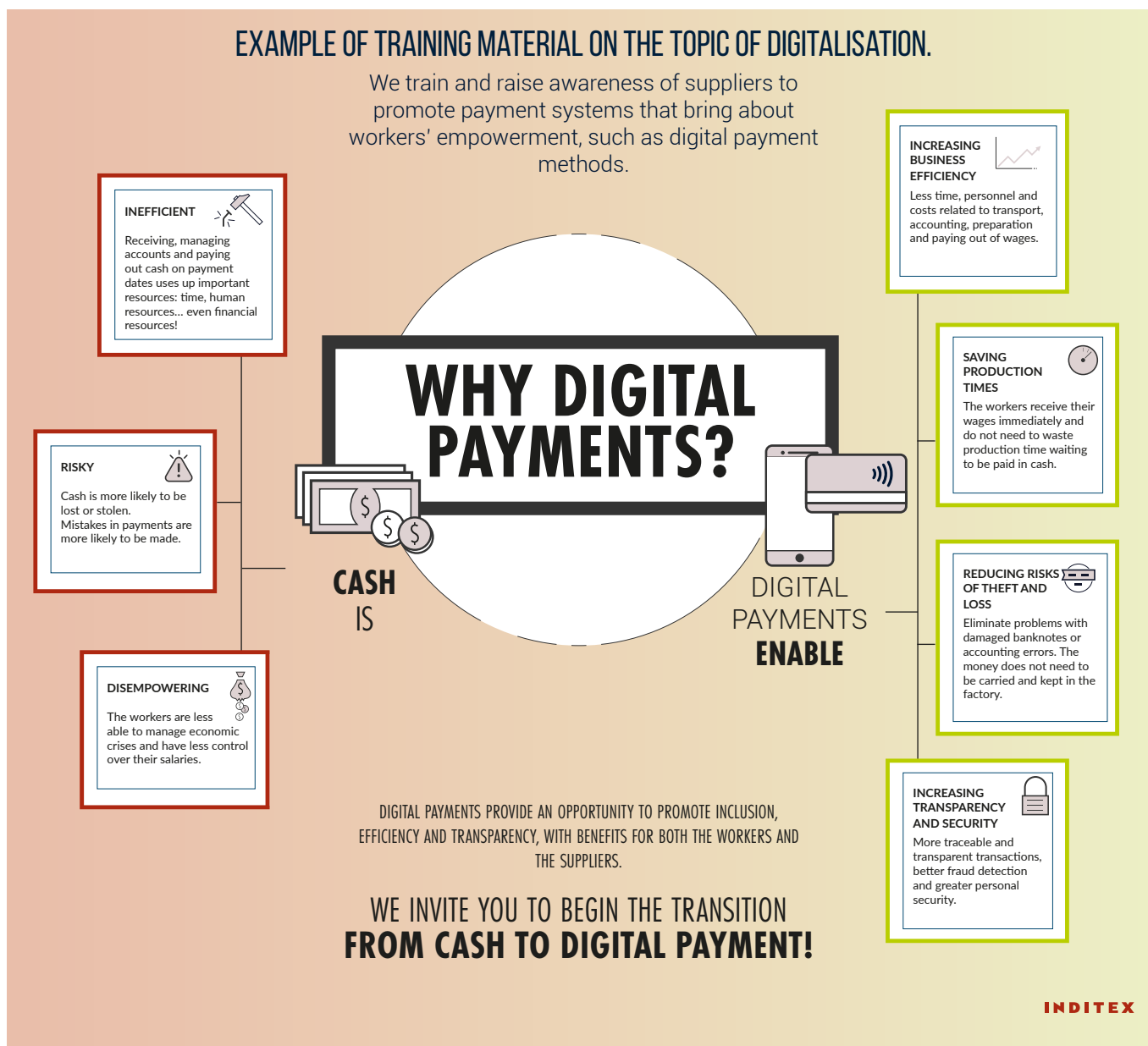
The management systems in the factories affect key aspects of the wages, such as time and method of payment. Our audits enable us to evaluate and analyse not only the remuneration received by workers and whether this constitutes a living wage, but also the various salary components, including time and 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.





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

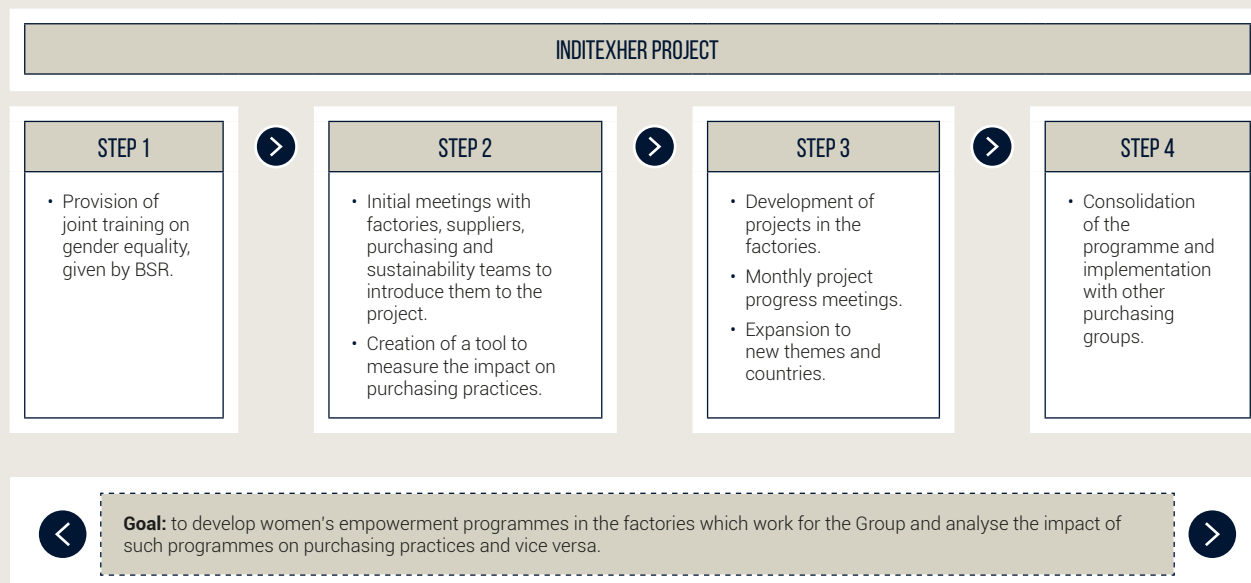
to increasing the capacity of the factories to have grievance mechanisms against gender violence that are efficient, promoting the creation of Sexual Harassment Committees.

- 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

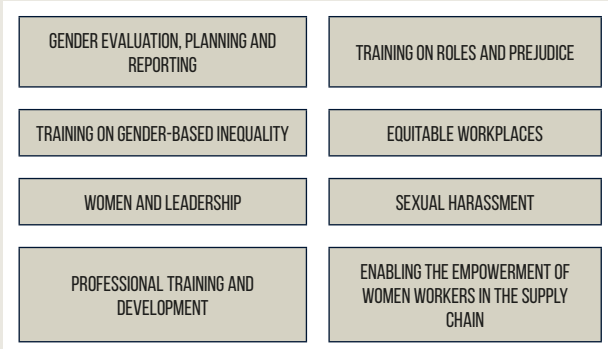
In 2020 Inditex joined the gender task force of the Industry Summit, which resulted from the collaboration between several industry brands. As part of this task force, and in collaboration with the organisation ICRW (International Center for Research on Women) a gender self-diagnosis tool was developed 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:



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: #f4c48d; 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;"> <div style="border: 1px solid #ccc; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin-right: 5px;"> E S G </div> Workplace </div> <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> Well-being </div> </div>	<div style="background-color: #f4c48d; 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;"> <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> Workplace </div> <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> Well-being </div> <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> Industry </div> </div>
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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>

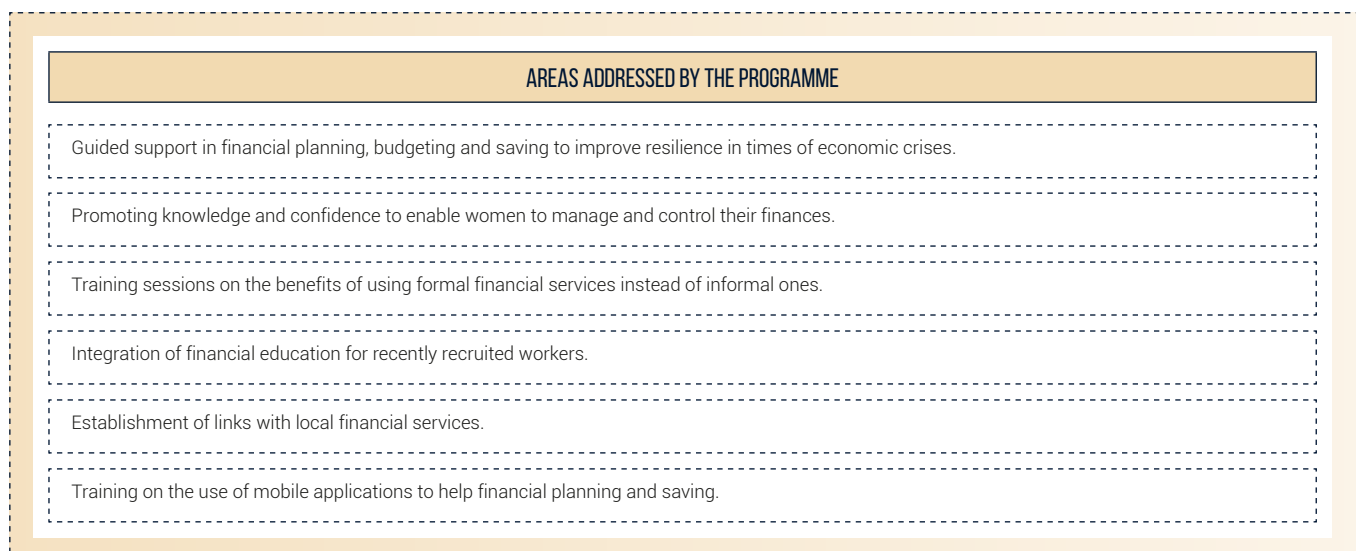
HerFinance

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

<ul style="list-style-type: none"> • Suppliers involved: 9. • Factories audited: 2. • Morocco. • Benefited workers: 3,539. 	<ul style="list-style-type: none"> • Factories involved: 4. • Training 76 suppliers and factories. • China. • Benefited workers: 14,807.
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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

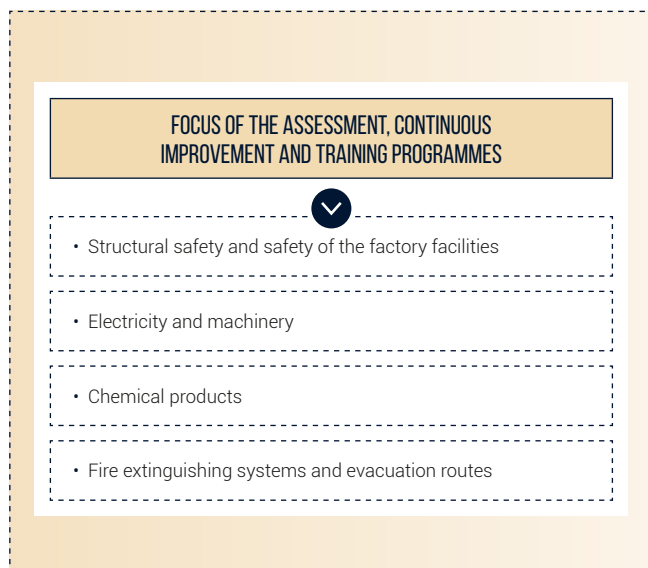
Industry



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

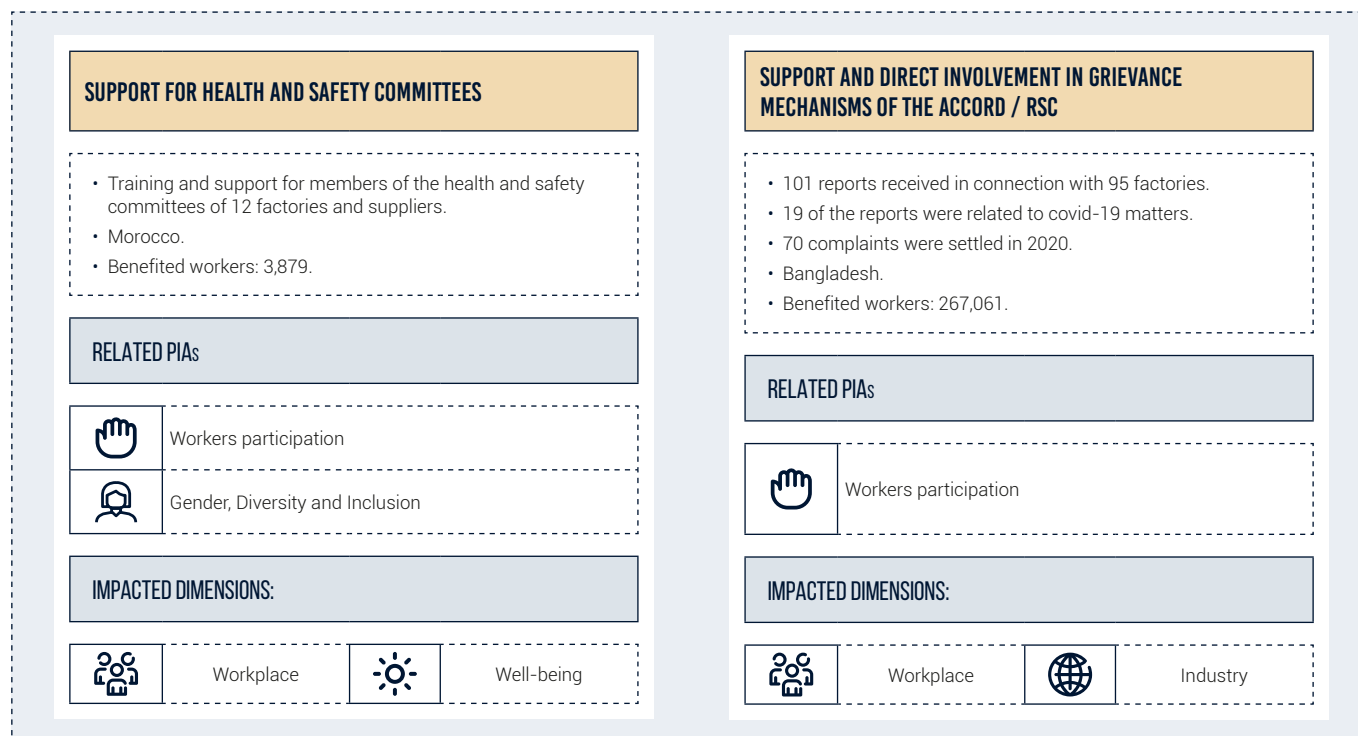
Since the renewal in 2018 of the Bangladesh Accord on Fire and Building Safety, the transfer of its functions to a body with national representations was one of the goals on the roadmap. In 2020, the Ready-Made Garments Sustainability Council (RSC), an organisation with an equitable representation of 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

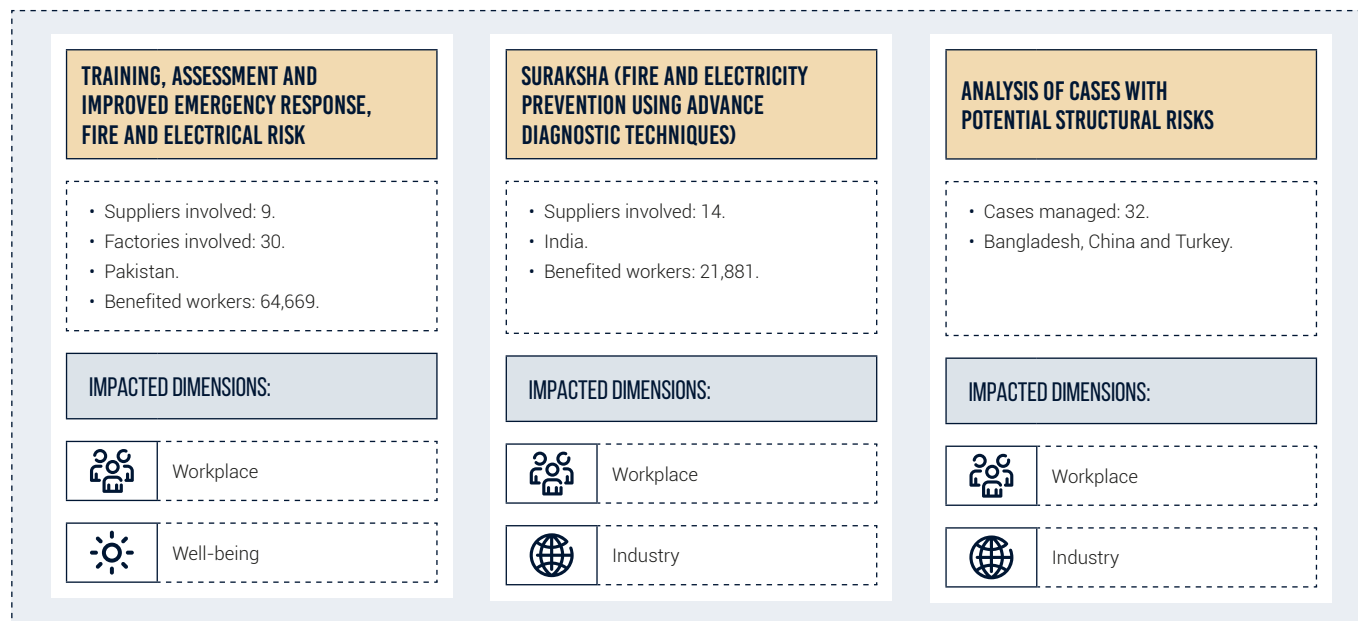
8,976 workers. The project has been structured into three phases, using the national legislation and international standards like the ISO 45001 as a reference. The first two phases were completed in 2020, whereas the third shall begin in 2021.



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 	<p>International Labour Organisation, Refugee Support Centre (MUDEM), United Work (UW), Society for Awareness, Voluntary Action (SAVE)</p>		<ul style="list-style-type: none"> Completed In progress Not started 						
<p>STRATEGY</p> <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. 		<p>IMPACT ON DIMENSIONS</p> <table border="0"> <tr> <td style="text-align: center;"> Workplace </td> <td style="text-align: center;"> Well-being </td> <td style="text-align: center;"> Industry </td> </tr> <tr> <td> Ensure decent working conditions for migrant and refugee workers in our supply chain. </td> <td> Support migrant and refugee workers and their families with a better integration perspective. </td> <td> Work with specialised organisations in the field to strengthen sectorial cohesion. </td> </tr> </table>			 Workplace	 Well-being	 Industry	Ensure decent working conditions for migrant and refugee workers in our supply chain.	Support migrant and refugee workers and their families with a better integration perspective.	Work with specialised organisations in the field to strengthen sectorial cohesion.
 Workplace	 Well-being	 Industry								
Ensure decent working conditions for migrant and refugee workers in our supply chain.	Support migrant and refugee workers and their families with a better integration perspective.	Work with specialised organisations in the field to strengthen sectorial cohesion.								

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

<p>REMEDIATION PLANS</p> <ul style="list-style-type: none"> • Factories involved: 16. • Migrant and refugee workers reached: 66. • Turkey. • Benefited workers: 695. <p>RELATED PIAs</p> <p>+ Social Protection</p> <p>IMPACTED DIMENSIONS:</p> <p>Workplace Well-being</p>	<p>SANKALP – PREVENTION OF UNSAFE MIGRATION</p> <ul style="list-style-type: none"> • Campaigns: 475. • Awareness sessions: 83. • India. • People benefited in the communities: 26,829. <p>RELATED PIAs</p> <p>+ Social Protection</p> <p>IMPACTED DIMENSIONS:</p> <p>Workplace Well-being Industry</p>
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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.

OBJECTIVES OF THE REMEDIATION PLANS

▼

- I. Verify the compliance with our policies by suppliers and manufacturers regarding the rights of migrant and refugee workers.
- II. Support the reduction of linguistic barriers by providing Turkish language courses as part of the remediation plans.
- III. Regularise employment under temporary refugee protection. Establish contact with local organisations specialised in the field to work with them in communication and support initiatives.

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
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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

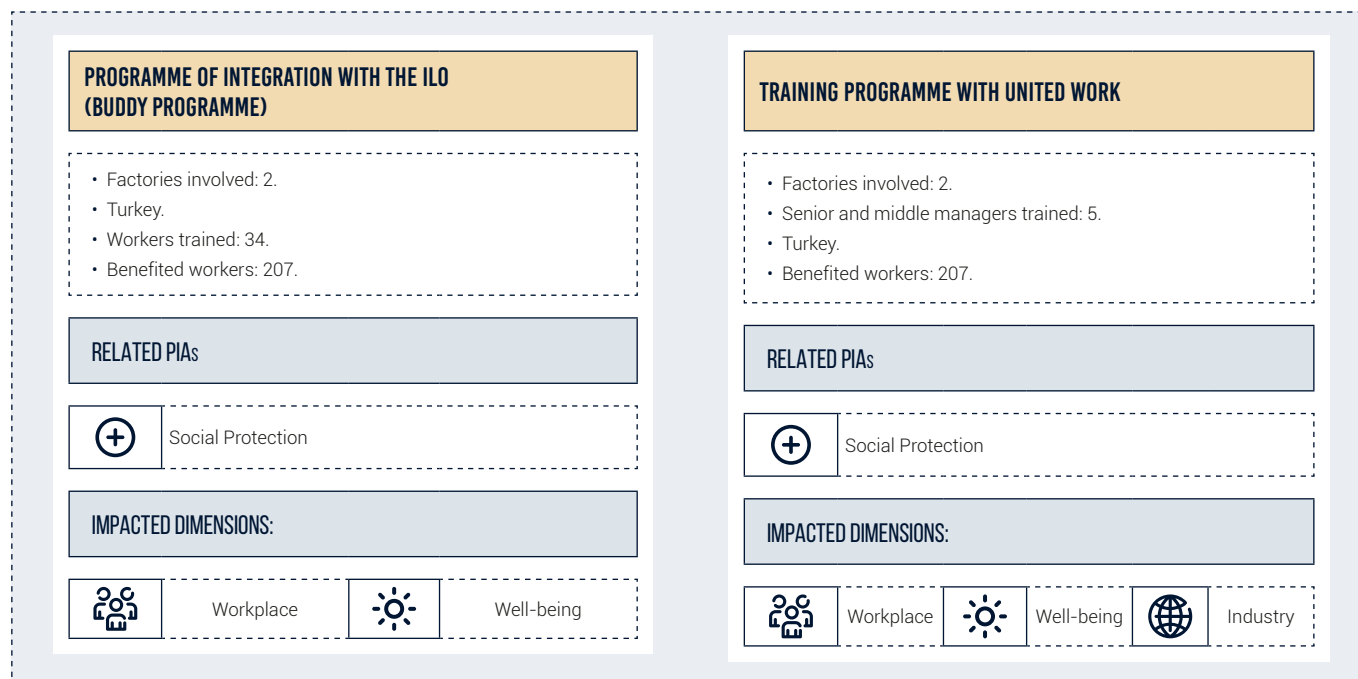
ORIENTATION FOR WORKERS' COMMITTEES

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.

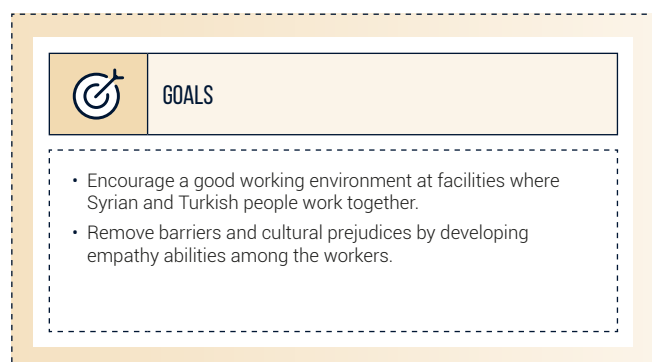
c) Reinforcing social and workplace cohesion



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 Derneği 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

- 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.

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

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>
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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
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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

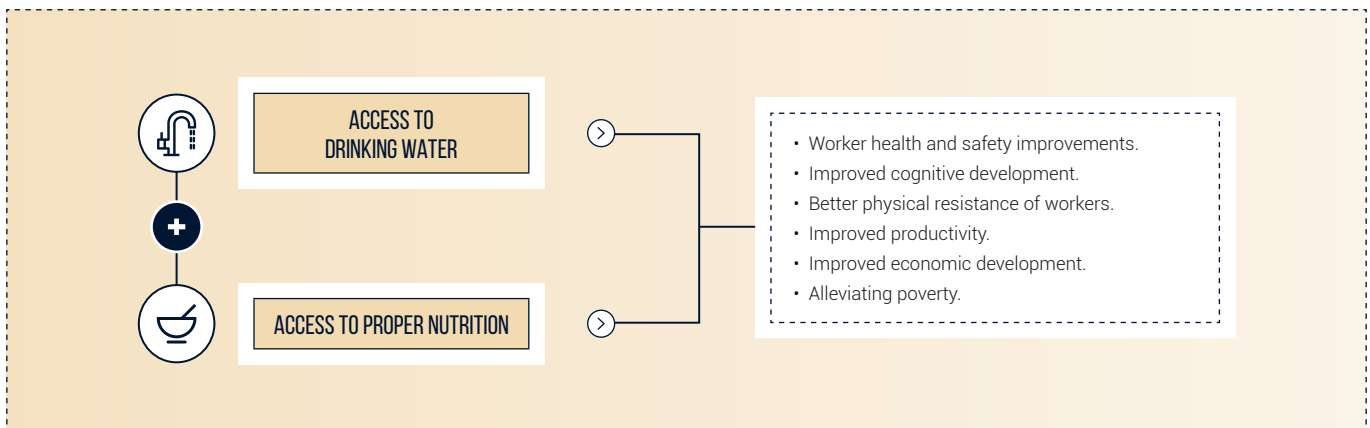
IMPACTED DIMENSIONS:

	Workplace		Well-being
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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.

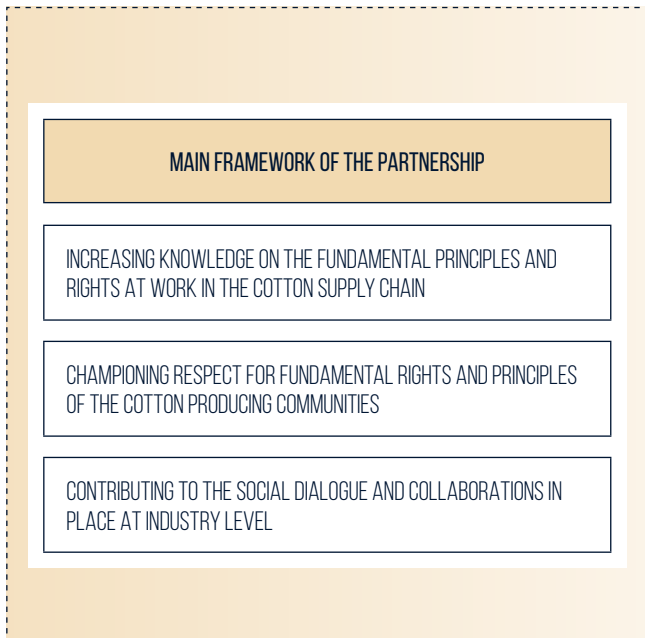
Millions of workers are employed in the production of raw materials, from those working in the factories, to those

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.
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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
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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>)





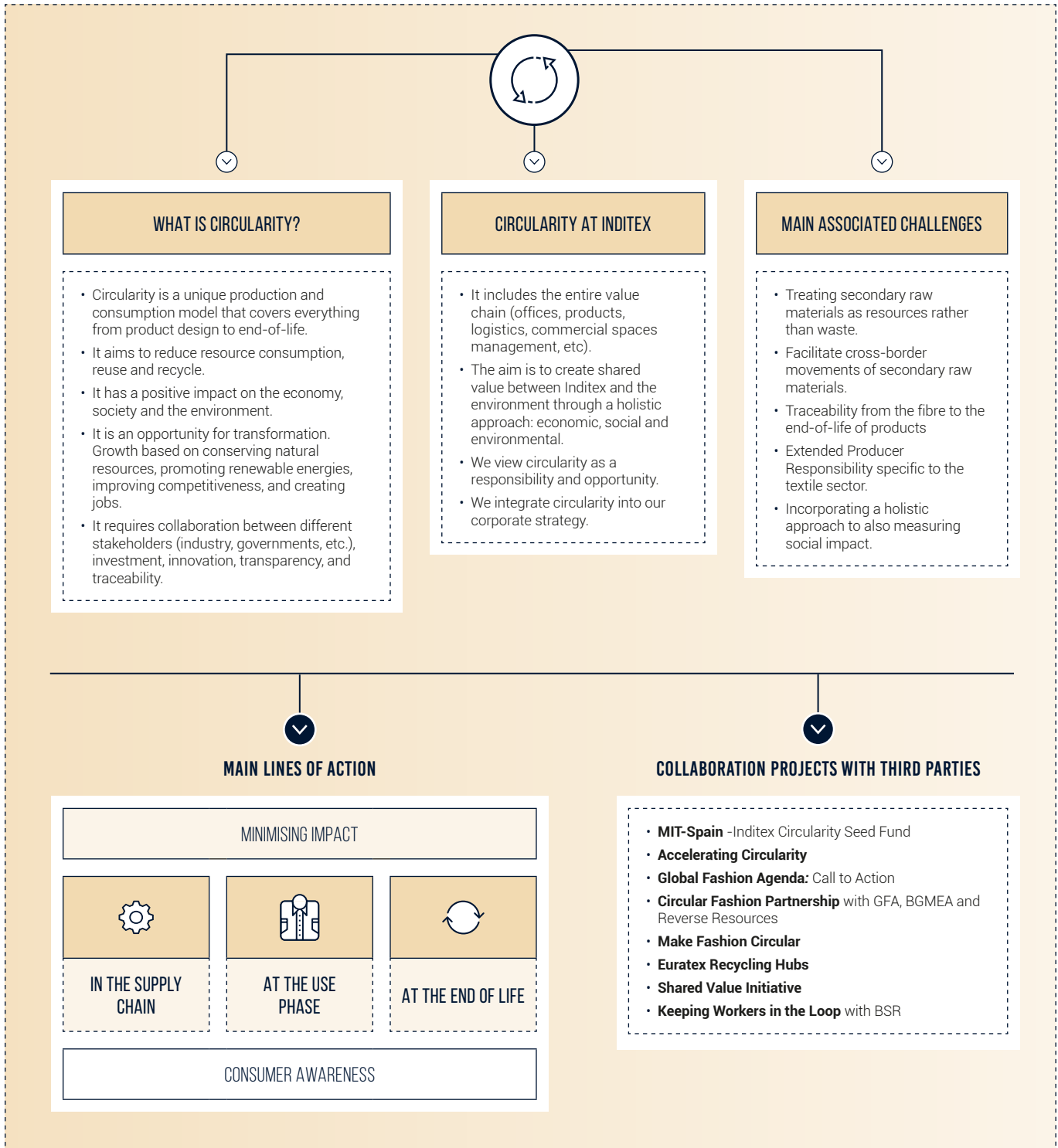
Circularity

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

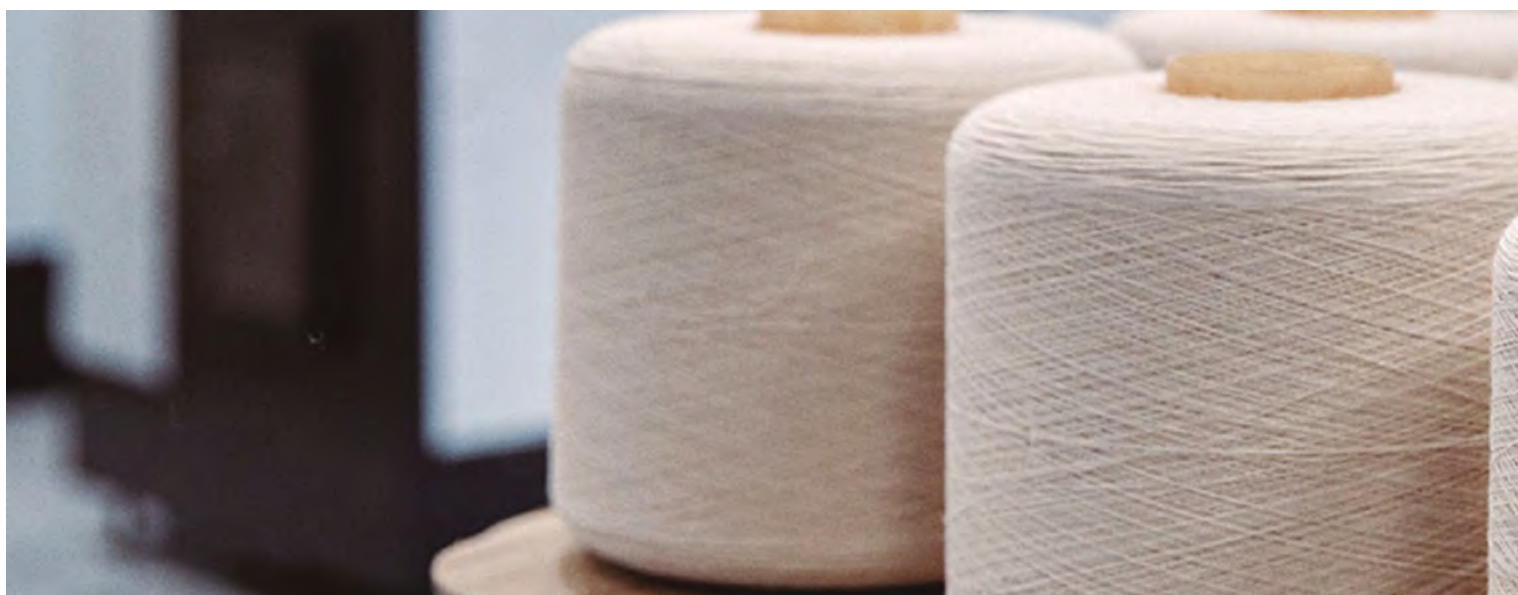
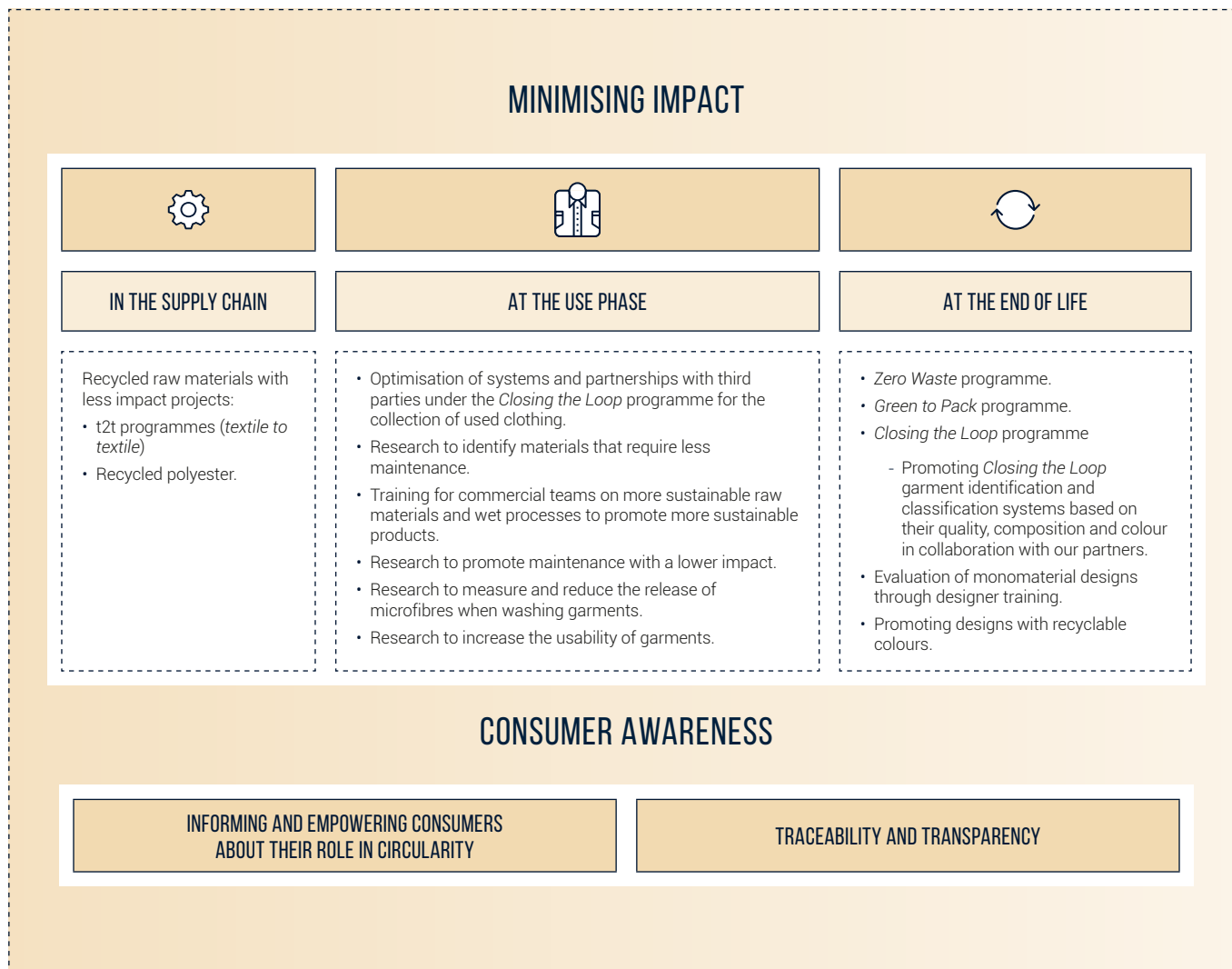
The drive for circularity must be a joint effort by consumers, industry and governments. Collaboration is crucial to support the production and marketing of sustainable products, encourage reuse, and optimise the collection and recycling of garments and footwear.

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.

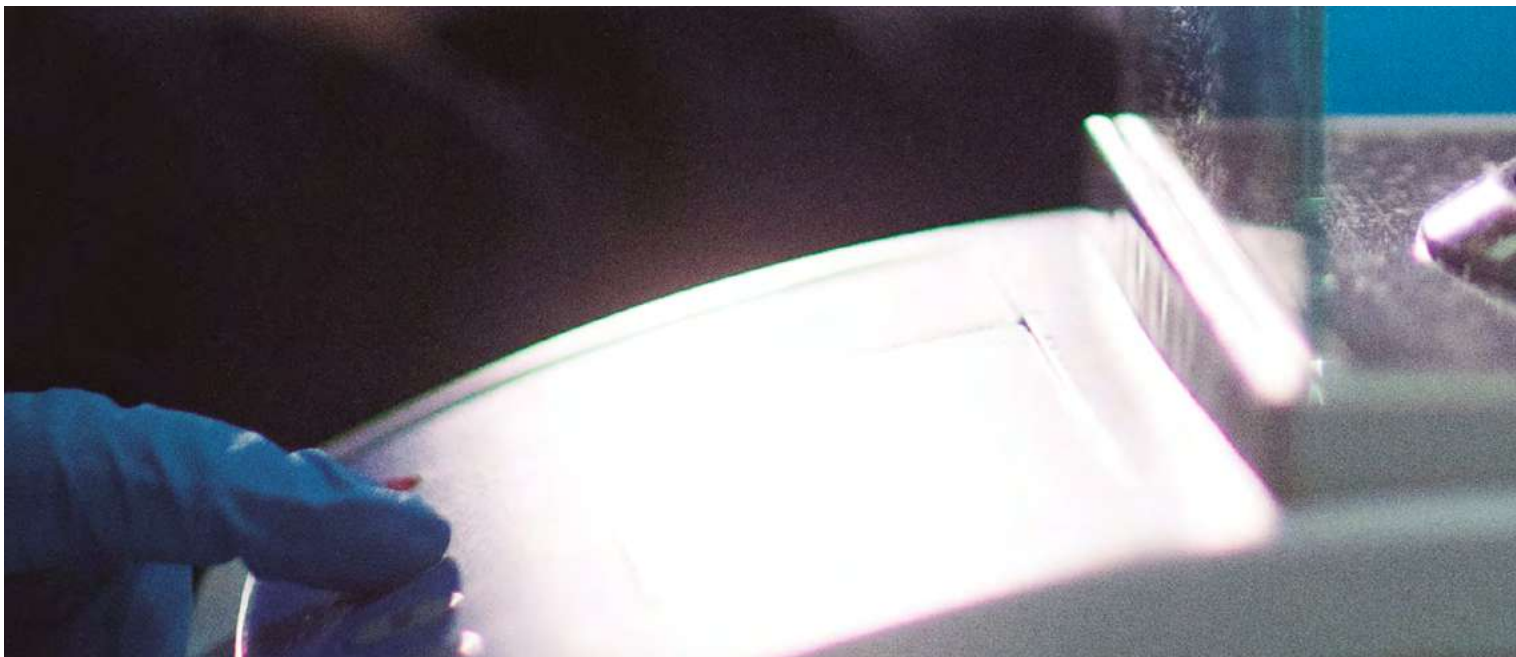
Recycled polyester

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

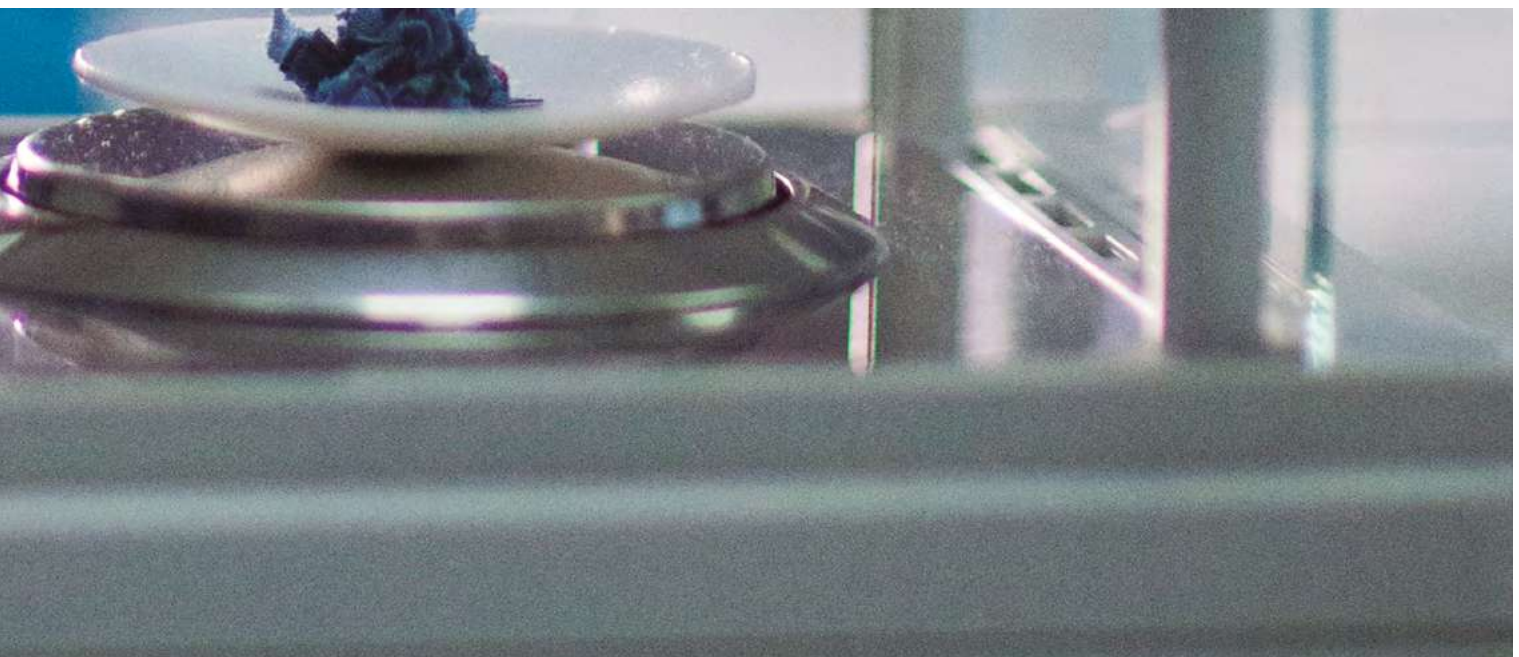
RESEARCH TO IDENTIFY MATERIALS THAT REQUIRE LESS MAINTENANCE

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

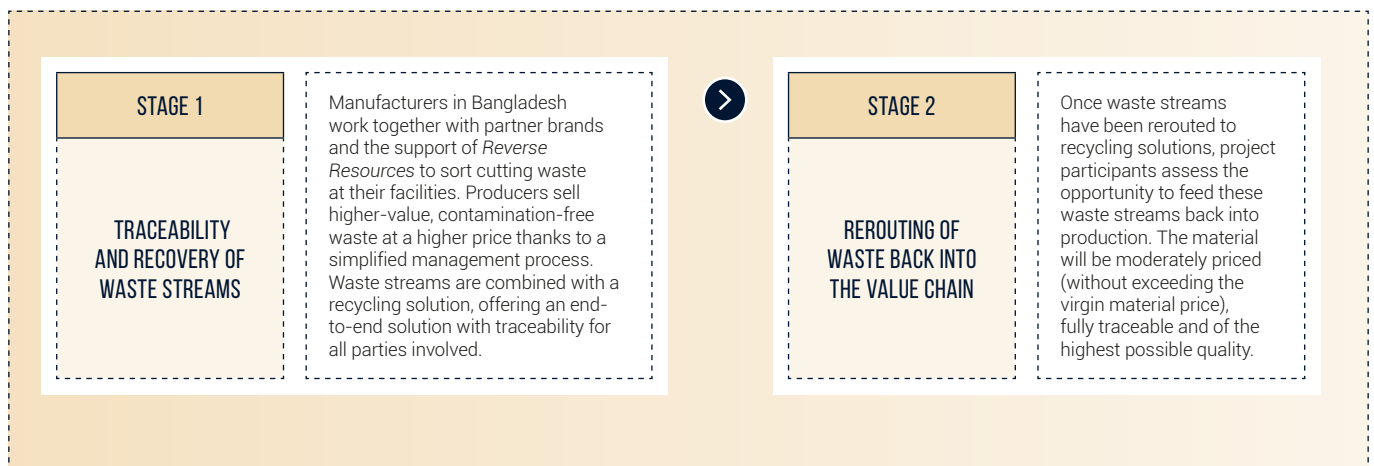
Open partnership to facilitate collaboration between global fashion brands, textile manufacturers and recyclers to develop and implement new systems that feed secondary raw materials back into the production of new fashion products. This project involves two distinct stages: traceability and recovery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

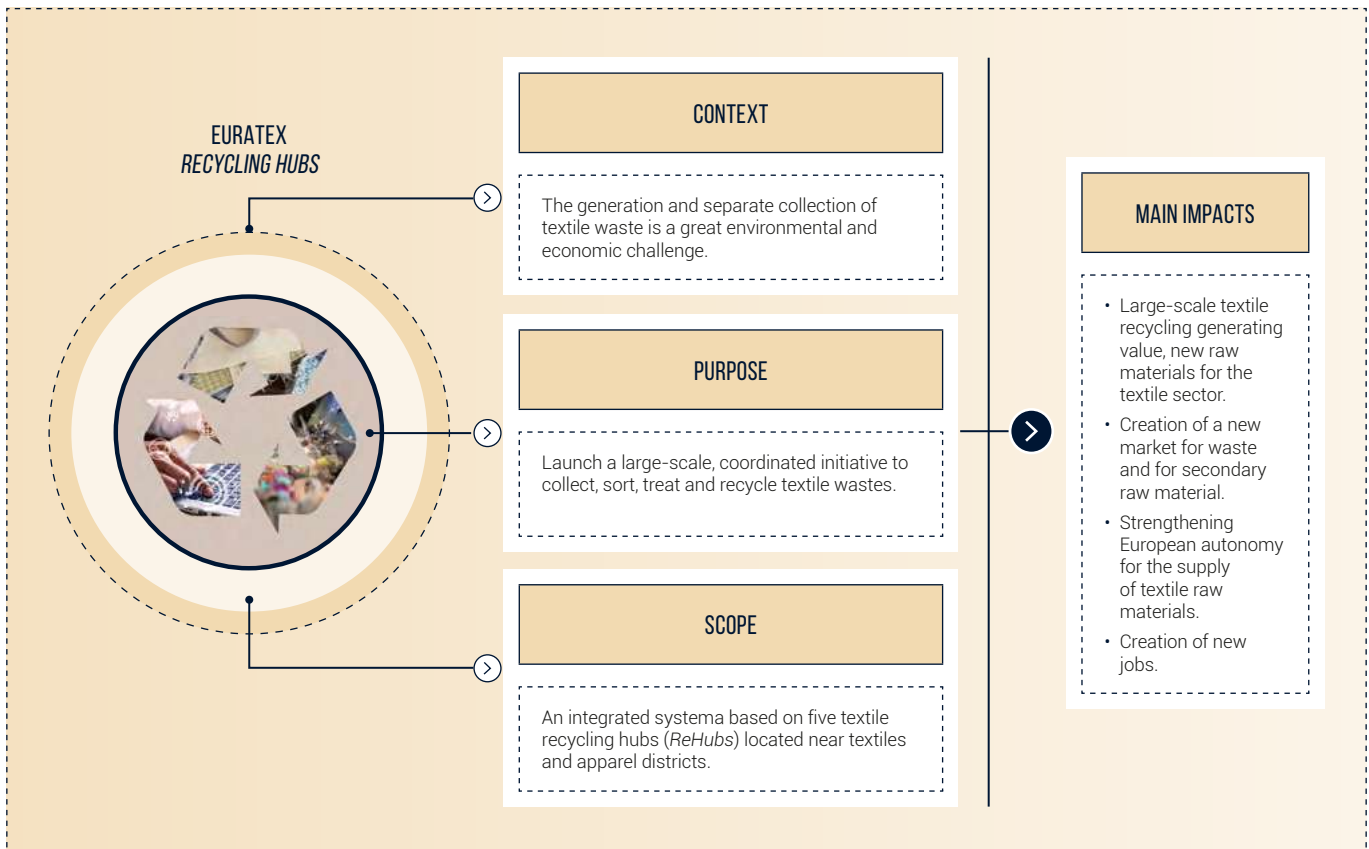
Toolkit designed to provide guidance on how to create a wide range of fashion products in accordance with the principles of the circular economy.

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.

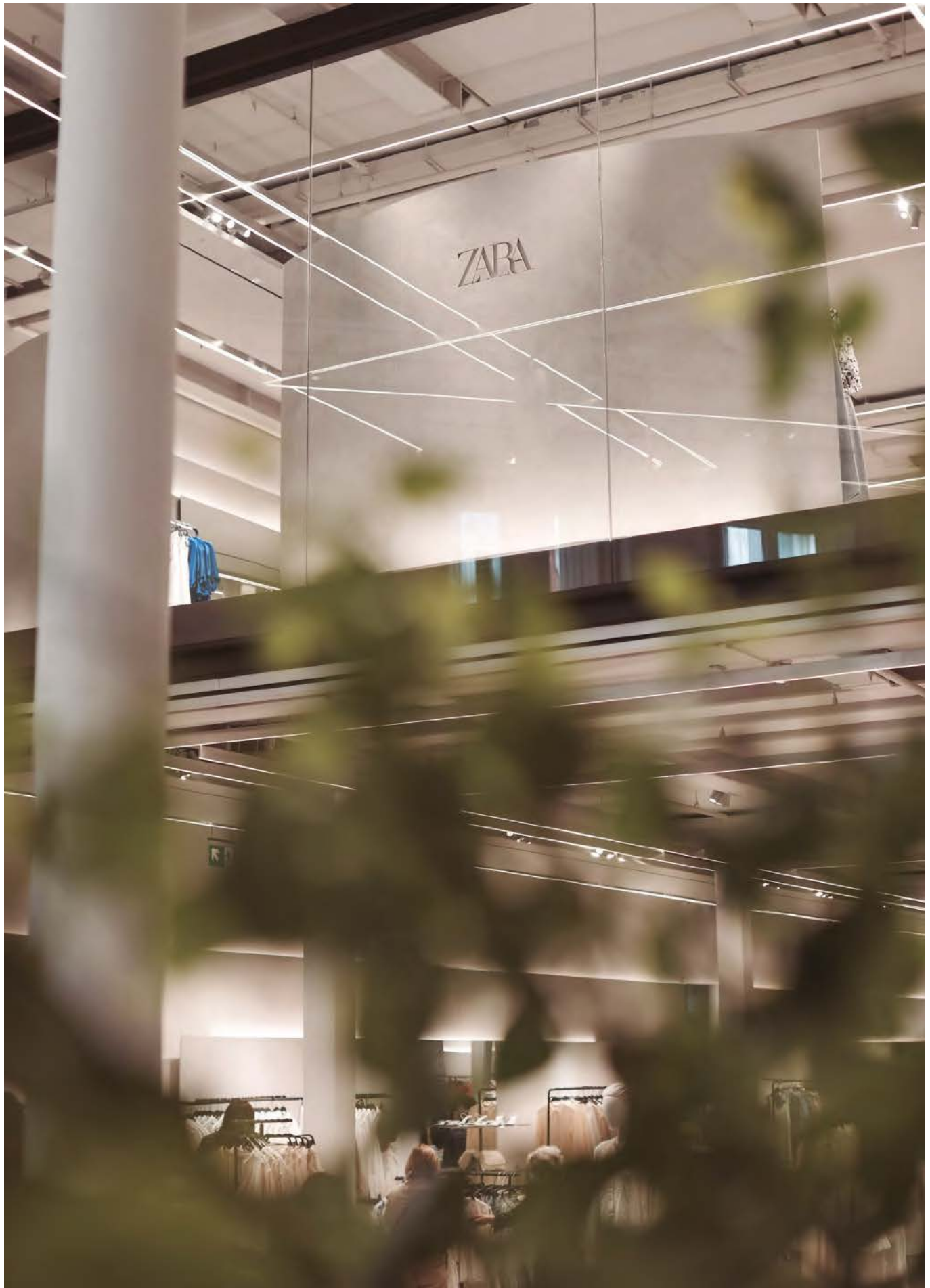






3 Develop

3.1. Minimising environmental impact across the value chain / 3.2. Alignment with the Task Force on Climate-related Financial Disclosures (TCFD) / 3.3. Sustainability of our products / 3.4. Sustainable management of the supply chain / 3.5. Human Rights

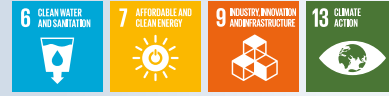


Minimising environmental impact across the value chain

3.1. Minimising environmental impact across the value chain

RELATED MATERIAL TOPICS:

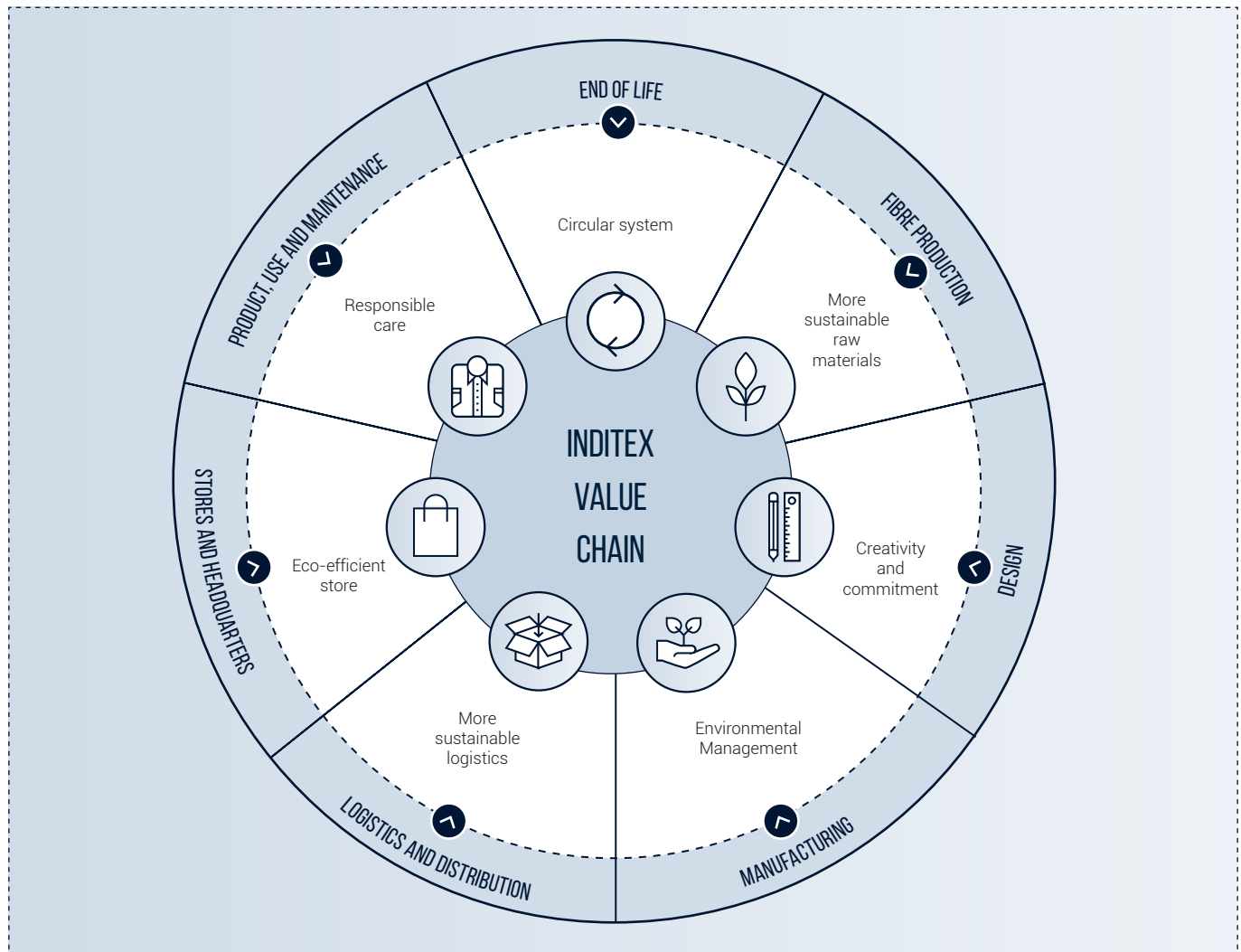
CLIMATE CHANGE; ENVIRONMENTAL FOOTPRINT MINIMISATION; PROTECTION OF NATURAL RESOURCES



The pressure on the planet's limited resources and the challenge posed by climate change require everyone's joint swift and coordinated action. At Inditex, we take multidisciplinary measures in order to protect biodiversity and reduce our impact on water consumption and the use of production and energy resources, with circularity as a key means for advancing towards decarbonisation.

Given that half of the total greenhouse gases (hereinafter, GHG) and over 90% of the loss of biodiversity and of water stress are due to the extraction and transformation of resources, we continue to advance in our strategy to reach an economy that is climate-neutral, efficient in the use of resources and competitive.

In addition, we are aligned with the goals of the Paris Climate Agreement, which are to limit the planet global warming to well below 2 °C and to pursue efforts to limit it to 1.5 °C.



Principles governing the Sustainability Policy in the environmental field

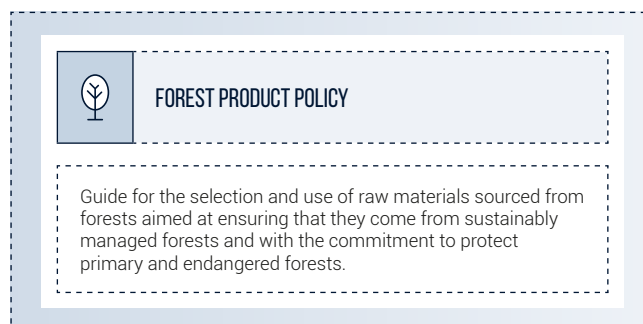
1. Consideration of environmental and social variables, in the planning and undertaking of our activities and those of our business partners and suppliers, fostering environmental awareness.
2. Compliance with applicable environmental legislation, **as well as other obligations that may be laid down.**
3. **Environmental conservation by undertaking** ongoing improvement actions (**emissions, resource consumption, chemicals, waste, etc.**).
4. Identification of possible environmental risks **arising from our activity and prevention.**
5. **Circulation of the Policy** among all employees and the companies comprising the Group.
6. Setting up channels for fluid communication **with the authorities, local communities and other stakeholders.**

Our Sustainability Policy includes, among other matters, the cross-cutting environmental commitments applied throughout our business areas and value chain.

And, stemming from this Policy are our three strategies on environmental topics (Energy, Water and Biodiversity) that express the efforts we make to seek to ensure the protection of environmental resources:



Besides such strategies, we have also commitments in relation to protecting forest products, as specifically addressed in our **Forest Product Policy**.



The most efficient use of resources is not only a maxim for our products but also for our facilities: headquarters, stores and logistics centres. To implement it, we have established various objectives, such as the delinking of our energy consumption and of GHG emissions, the commitment to renewable energies and the efficiency of our shipments.

As part of the *Race to Zero* Campaign, an initiative of the United Nations Framework Convention on Climate Change (UNFCCC), Inditex is committed to achieving climate neutrality by the year 2050. This means that by then it must have net-zero GHG emissions or gases emitted into the atmosphere will be offset by those absorbed by natural sinks such as oceans and forests.



In 2020, SBTi approved our decarbonisation targets and defined them as 'ambitious', because the proposed reductions are stricter than those established by the most ambitious available emissions reductions roadmaps.

Furthermore, in 2020 we have continued to work within the framework of the Science-Based Targets initiative (SBTi), which promotes setting science-based decarbonisation targets as a way of boosting the competitive advantage of companies in the transition to a low-carbon economy. The SBTi emerged as a partnership between CDP, the World Resources Institute (WRI), the World Wide Fund for Nature (WWF) and the United Nations Global Compact (UNGC). It is also one of the commitments of the We Mean Business Coalition.

In August 2020, SBTi approved our science-based decarbonisation targets (SBTs). SBTs are voluntary targets adopted by companies in order to reduce their greenhouse gas emissions. They are deemed to be "science-based" if they are aligned with the actions that the latest scientific research considers to be necessary to undertake in order to fulfil the goals of the Paris Agreement.

SBTs of Inditex



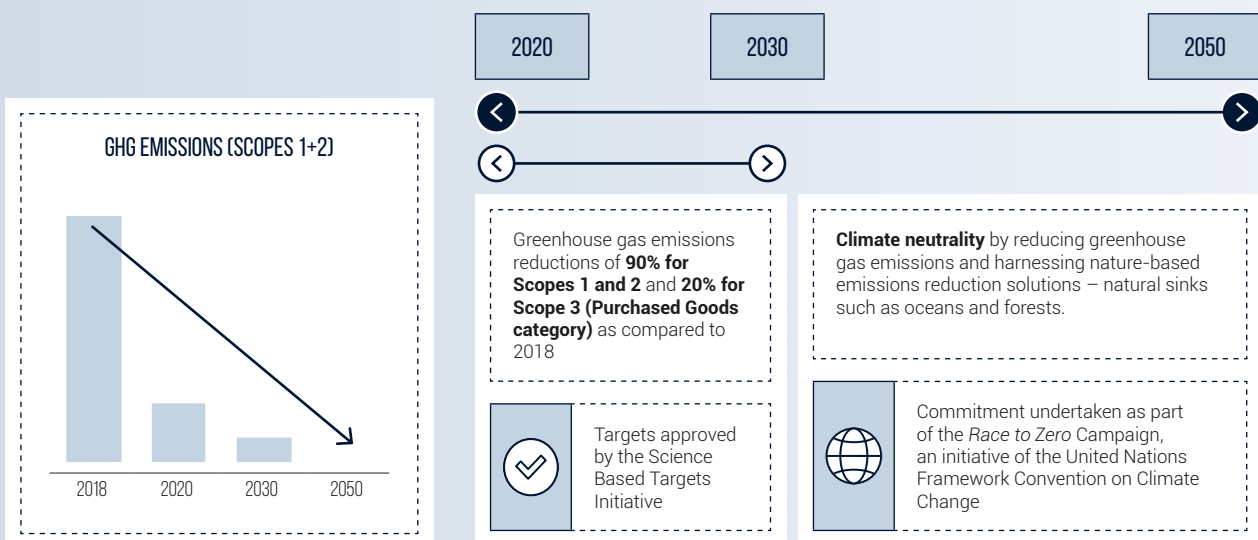
A 90% reduction in our Scope 1 and 2 emissions by 2030 compared to 2018



A 20% reduction in our Scope 3 emissions (in the Purchased Goods category), by 2030 compared to 2018

Meanwhile, SBTi has defined these targets as 'ambitious', as the proposed reductions are more stringent than those marked by the most ambitious pathways for emission reductions available at present (1.5 °C for own operations and 2D or 2 °C for supply chain).

MAIN DECARBONISATION COMMITMENTS



Training our teams is key to implementing our strategies and progressing towards achieving our goals. In 2020, we continued training our teams on environmental sustainability (Seedtraining, *Join Life* Product, *Zero Waste*, Technical Product Training, and the *Closing the Loop* programme, among others), at our headquarters, logistics centres, factories and our own stores, both in Spain and in many other markets where we have a commercial presence, such as China, Japan, Turkey,

Uruguay, India, Mexico, Germany, Argentina, Brazil, Bangladesh, Australia, Colombia, Ecuador, the USA and Panama. Overall, 28,972 employees have received training on sustainability since 2014.

Besides training, internal communications were conducted concerning sustainability and circularity that include sustainable household practices for our employees (considering the lockdown period).

MINIMISING ENVIRONMENTAL IMPACT IN THE SUPPLY CHAIN



COMMITMENT TO EXTERNAL INITIATIVES



To fulfil our environmental commitments, we implement ongoing improvement measures and we also adhere to external initiatives that enable us to share best practices and align ourselves with more ambitious goals.



DECARBONISATION AND ENERGY MANAGEMENT



WATER MANAGEMENT



BIODIVERSITY




Our environmental management encompasses three broad areas: energy, water and biodiversity, on which the strategies deriving from our Sustainability Policy focus. In each sphere we strive to monitor our impacts, implementing initiatives to minimise those impacts and identify opportunities to generate positive effects, not only in our own operations, but expanding their scope throughout our value chain.



3.1.1. Commitment to external initiatives

In our commitment to stop climate change, not only do we use our own resources in order to implement ongoing improvement measures, but we also adhere to external initiatives that enable us to share best practices and align ourselves with more ambitious commitments.

In this connection, Inditex works with organisations such as the Ellen MacArthur Foundation, Textile Exchange, The United Nations Framework Convention on Climate Change (UNFCCC) and Zero Discharge of Hazardous Chemicals (ZDHC).

 More information on page 4.3. *Partnerships and commitments with civil society* of this Annual Report.

EXTERNAL INITIATIVES



UNITING BUSINESS AND GOVERNMENTS TO RECOVER BETTER BY THE UNITED NATIONS

Inditex is one of over 150 companies involved in the *Science Based Targets* initiative that have set voluntary decarbonisation targets and that, in 2020, signed a declaration urging governments worldwide to align their recovery efforts to combat the crisis caused by covid-19 and work on economic aid, using cutting-edge climate-related scientific developments.

BUSINESS AMBITION FOR 1.5°C BY THE UNITED NATIONS

An urgent call to action by a global coalition of United Nations agencies, business and industry leaders to commit to setting ambitious science-based emission reduction targets.

PARTNERSHIP FOR SUSTAINABLE ECONOMIC RECOVERY

A partnership promoted by ECODES and the Spanish Group for Green Growth, among others, to advocate for economically and socially effective stimulus policies and, in turn, to ensure they are aligned with sustainability and biodiversity policies.

THE FASHION INDUSTRY CHARTER FOR CLIMATE ACTION

A commitment backed by the United Nations Framework Convention on Climate Change that established an initial target for reducing greenhouse gas emissions by 30% by 2030. At the moment, it is under review in order to align it with Science Based Targets. The signatories collaborate by advocating for the steps for implementation through different task forces.





In combating climate change, in addition to continuous improvement measures implemented internally, we have joined external initiatives whereby we share best practices and ambitious goals.



FASHION PACT

We are founding members of the Fashion Pact, an initiative designed to drive environmental sustainability in the textile and fashion industries, mainly geared to stop climate change, protect the oceans and restore biodiversity. Moreover, the pact encourages the participation of member companies in other complementary initiatives through the development of accelerators to help achieve the challenges ahead.

SUSTAINABLE APPAREL COALITION (SAC)

In order to accelerate the transition towards a more sustainable and competitive industry, we work in forums like the Sustainable Apparel Coalition, where we pool our experiences and collaborate in creating modules for measuring impact and fostering best practices (e.g. Brand and Retail Module and Facility Environmental Module). We also take part in the Product Environmental Footprint in the European Union textile sector. And we collaborate with the Policy Hub to accelerate the sector's circular transformation.

CDP

For more than 15 years, Inditex has been taking part in CDP, a non-profit organisation responsible for a global environmental impact dissemination system (climate change, water management and forest) for investors, companies, cities, states and regions. In 2020, our climate change programme has been acknowledged as level A- for our leadership in disclosure of information and performance in the field.



MIT CLIMATE AND SUSTAINABILITY CONSORTIUM (MCSC)

Given the importance of establishing links between companies and scientists in order to accomplish effective changes to stop climate change, Inditex, along with another 12 companies, has joined the *MIT Climate and Sustainability Consortium (MCSC)*, coordinated by the Massachusetts Institute of Technology (MIT) School of Engineering, with the following goals:

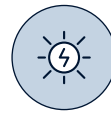
- To lower barriers and costs of access to the best-available environmental technologies and processes.
- To encourage direct investment where it will be most effective.
- To translate industrial best practices to new sectors at a faster pace in order to mitigate the planet's intensifying climate crisis.

3.1.2. Our approach to decarbonisation and energy management

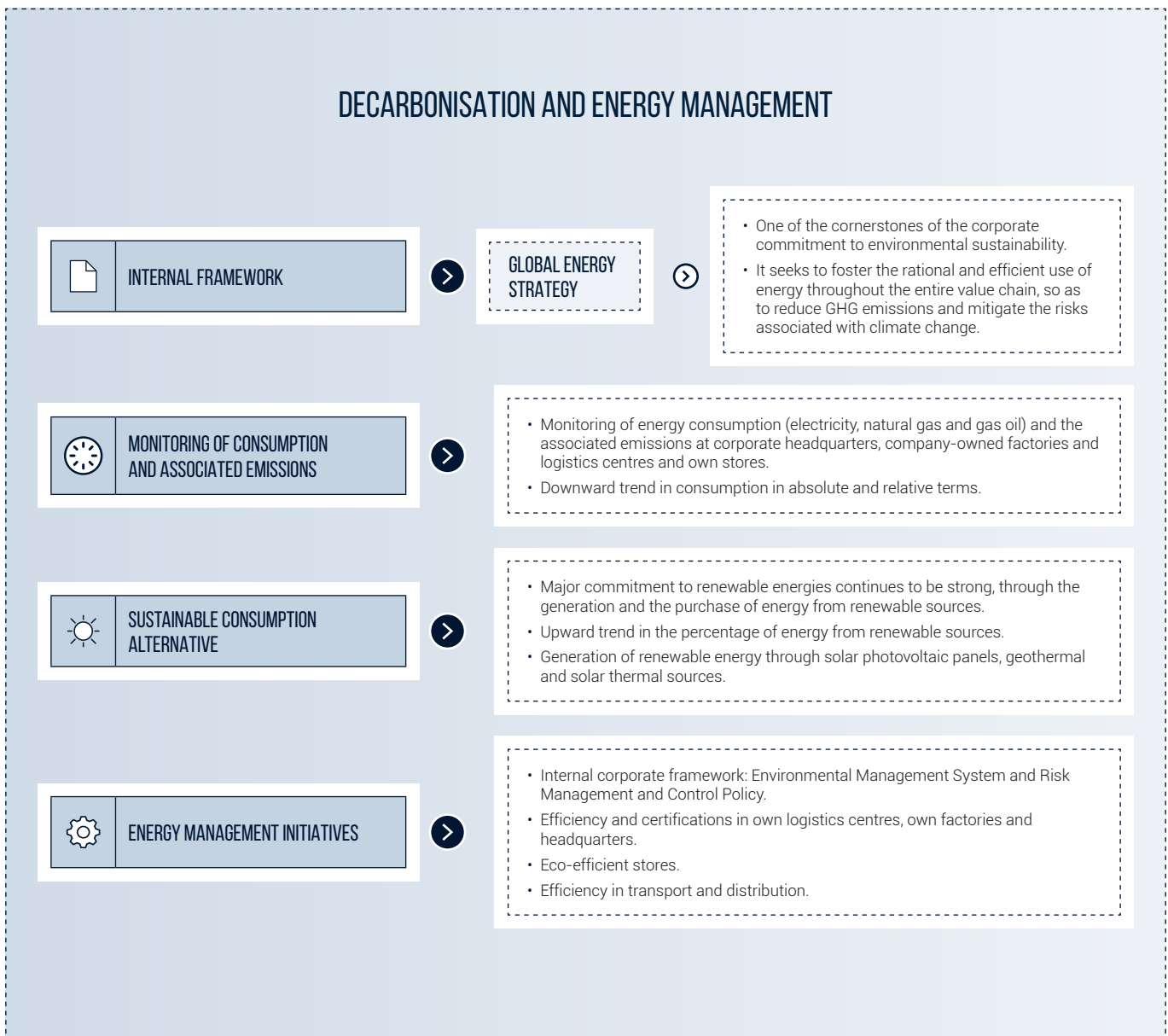
Energy is a core element in the fashion industry. Its efficient use with a low environmental impact features in Inditex's sustainability approach. We are aware of the inherent value of energy resources and the need to have suitable solutions at all times to safeguard a stable and quality supply.

In the early the 1990s, we began developing our own systems for optimising and improving energy consumption and reducing greenhouse gas emissions at our headquarters, logistics centres, own stores and own factories. Since then, our commitment in this area has grown exponentially, as has our activity.

In 2020, we have obtained a 52% reduction in scope 1 and 2 relative emissions per euro of sale. We also continued to boost energies from clean sources, accounted for 81% of our global electricity consumption.



In 2020, we achieved 81% of the electricity consumption at our facilities (headquarters, logistics and stores) to come from renewable energy, reaching our 2025 goal.



At Inditex, we work to preserve freshwater resources with programmes that help us curb our water consumption and manage the water we use responsibly. With the *Care for Water* programme, as part of *Green to Wear 2.0*, we drive the use of more efficient production processes and technologies that help us to curb water consumption and achieve excellent water consumption within our public standard.

The programme promotes the ongoing improvement of our suppliers' processes and investment in new technologies, enabling us to reduce the impact of our products to the stipulated limits. These limits are regularly reviewed and aligned with the best techniques available on the market, constantly increasing our ambition.

i More information in paragraph b) *Green to Wear* of section 3.4.2. *Policies, standards and principles on which our supply chain management is based* is based, of this Annual Report.

a) Global Energy Strategy

The Global Energy Strategy is one of the cornerstones of our commitment to environmental sustainability for promoting the rational and efficient use of energy throughout the entire value chain, while at the same time reducing GHG emissions and mitigating the risks associated with climate change. To this end, renewable energy sources are being incorporated at our facilities. Moreover, in 2009, we launched the eco-efficient store programme, which was completed in 2020.

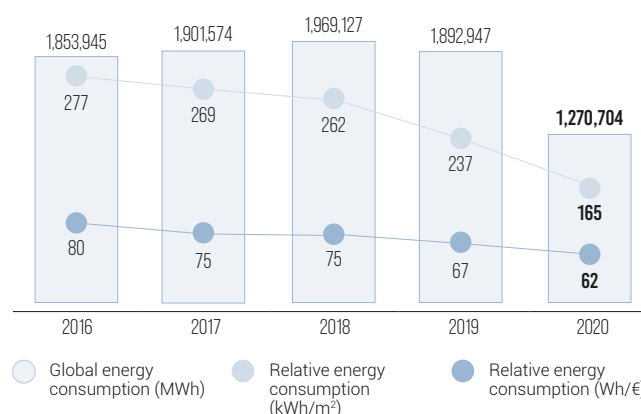
b) Global energy consumption

During 2020, the global energy consumption of all Group headquarters, own factories, logistics centres and own stores has amounted to a total of 1,270,704 MWh⁽¹⁾. Following on from our energy efficiency measures, we have managed to cut the overall relative energy consumption per euro of sale by 7% compared to last year.

Among the energy efficiency measures implemented, note the connection of our stores to the *Inergy* platform, which enables us to supervise and optimise energy consumption and reduce our environmental impact. It also enables us to install the most efficient heating, ventilation and air conditioning systems in our stores.

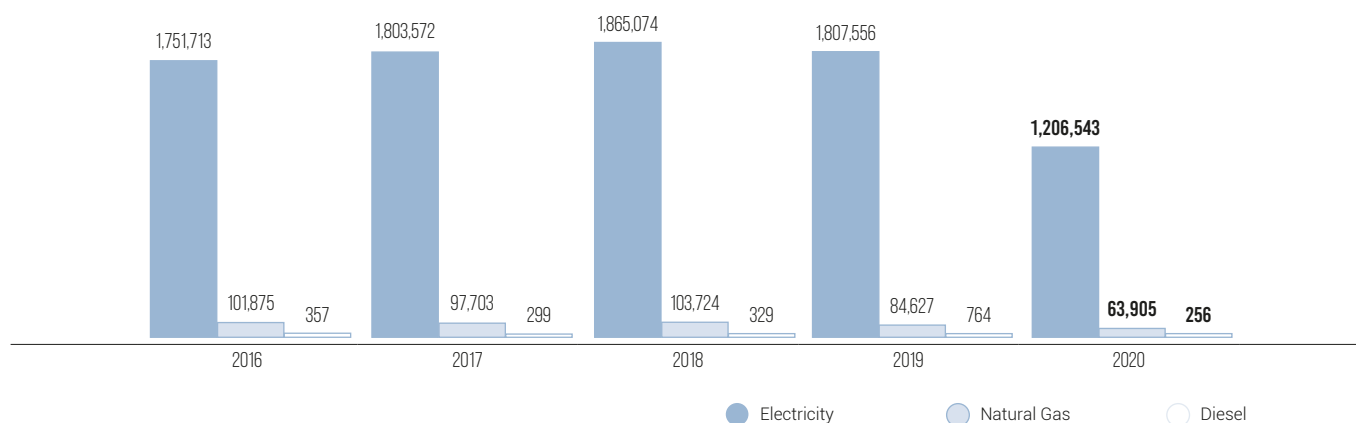
The energy used comes mainly from the supply network and, to a lesser extent, from the consumption of natural gas and diesel.

GLOBAL ENERGY CONSUMPTION (MWh) ^(*)



(*) This indicator records all the energy consumed at our Group's own factories, headquarters, logistics centres and own stores. Electricity consumption for December 2020 and January 2021 has been estimated for some centres.

GLOBAL ENERGY CONSUMPTION BY TYPE (MWh) ^(*)



(*) Electricity consumption for December 2020 and January 2021 has been estimated for some centres.

(1) The electricity consumption in stores has been calculated on the basis of actual data on the central monitoring platform. In order to estimate average consumption, the data from 2,017 stores has been used, 100% of which are eco-efficient.



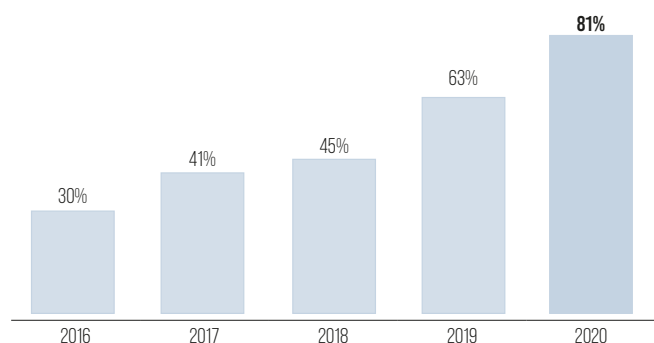
At some of our facilities we also have co-generation plants, which enable the simultaneous production of heat and energy using low-carbon fuel.

c) Major commitment to renewable energies

Our commitment to renewable energies continues to be strong, through the generation and the purchase of energy from renewable sources. We invest in our own renewable energy generation facilities when it is technically viable, which has led us to having thermal solar, photovoltaic and wind energy facilities, as well as facilities that make use of geothermal energy.

In 2020, 81% of the Group's electricity needs were covered by energy from renewable sources. This represents a total sustainable energy consumption of 978,266 MWh in our facilities located in Spain, Germany, Austria, Belgium, Brazil, China, South Korea, Croatia, United States, France, Greece, Italy, Ireland, Mexico, Luxembourg, Norway, Netherlands, Poland, Portugal, United Kingdom, Sweden, Switzerland and Turkey. This has enabled us to avoid 363,182 tons of GHG emissions⁽²⁾ (1,144,020 MWh and 415,474 tons, and 837,626 MWh and 274,554 tons in 2019 and 2018, respectively).

PERCENTAGE OF ELECTRIC ENERGY COMING FROM RENEWABLE SOURCES ^(*)



(*) In the case of renewable energy certificates, the period for the data is the calendar year, instead of the tax year (time period of this Report).

At the end of the year, we have several active plants with photovoltaic panels with the following installed capacities: 3 MW in Lelystad, 1 MW in the employee car park at our Arteixo Central Services facilities and 100 kW at the Arteixo Technology Building, 200 kW in the Tempe 3 centre, 200 kW in the Tempe 3S centre and 100 kW in the Laracha fabric warehouse. In 2020, they generated 1,373 MWh of electricity (811 in 2019; 575 in 2018).

At some of our facilities we also have co-generation plants, which enable the simultaneous production of heat and energy using low-carbon fuel. During 2020, a total of 4,334 MWh of electrical energy and 6,679 MWh of thermal energy were generated by these plants (7,785 MWh of electricity and 11,002 MWh thermal and 17,317 MWh of electricity and 16,634 MWh thermal in 2019 and 2018, respectively).

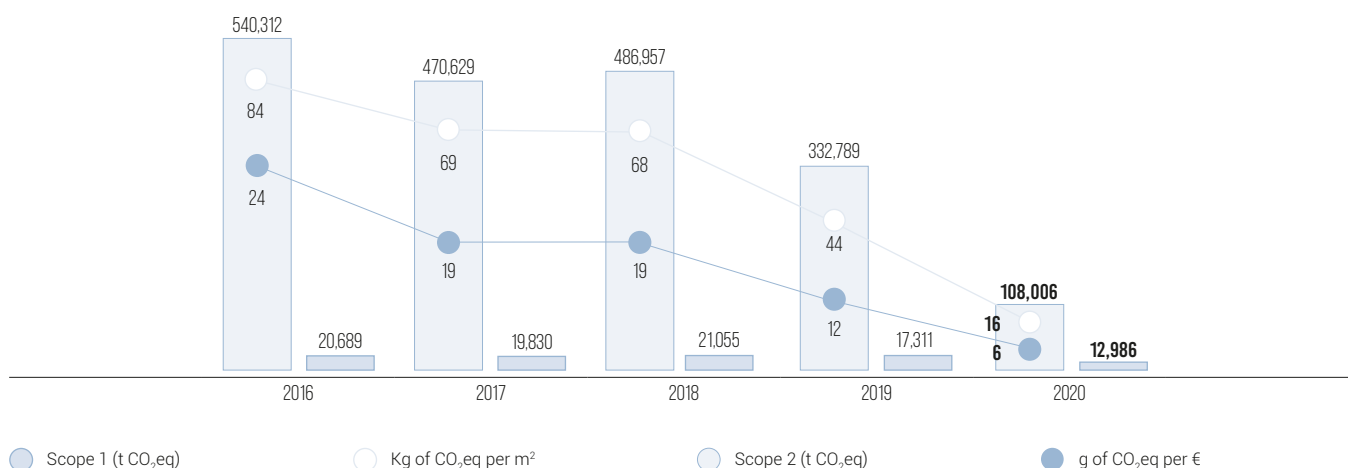
In addition, in 2020 a total of 633 MWh of thermal energy has been generated from renewable installations using geothermics and solar panels (577 MWh and 329 MWh in 2019 and 2018, respectively).

d) Greenhouse gas emissions

Overall, all the actions that have been implemented to foster energy efficiency, together with the materialisation of our commitment to renewable energies, have allowed us to achieve a 52% reduction in scope 1 and 2 relative emissions per euro of sale.

(2) The emission factors applied to the energy mix of each of the countries are those pertaining to the GHG Protocol Tool for Purchased Electricity, Version 4.9 of the World Resources Institute, 2017.

EMISSIONS OF GHG OF SCOPES 1 AND 2 (T CO₂EQ)^(*)



(*) The Scope 2 data are calculated according to the market-based method following the GHG Protocol guidance for the calculation of Scope 2, World Resources Institute (WRI), 2015. More information in chapter 3.2. Alignment with the Task Force on Climate-related Financial Disclosures (TCFD).

Scope 1 emissions correspond to direct emissions related to sources under the direct control of the Inditex Group (combustion in boilers, vehicles, etc.). Scope 2 emissions are indirect emissions related to the generation of electricity acquired and consumed by the Inditex Group.

Scope 3 emissions correspond to other indirect emissions associated with the production chain of goods and services produced, distributed and marketed outside the organisation.

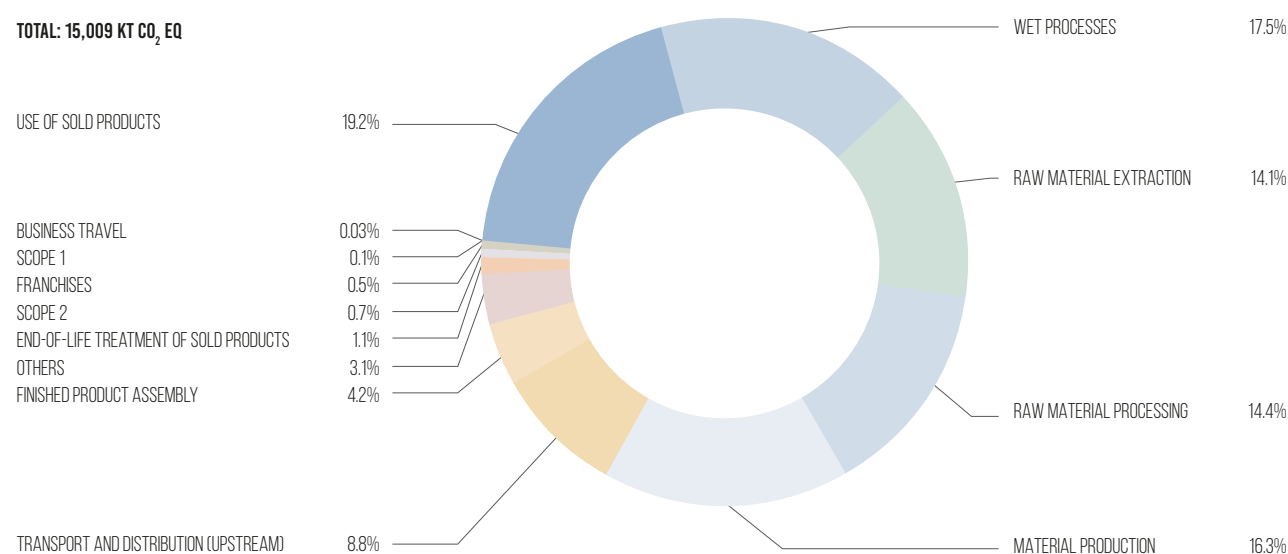
In 2020, we continued to work on improving the methodology used to calculate the carbon footprint and, thanks to these efforts, we have managed to broaden the data, making our findings more accurate.

Scope 3 emission indicators have also been affected by the closure of our stores and headquarters for several months of the year, and by the promotion of teleworking, due to the health crisis arising from covid-19.

In 2020, the emissions associated with Upstream Inbound Transport and Upstream Outbound Transport equivalent to energy consumption of 2,802,639 MWh and 3,218,377 MWh, respectively (3,431,069 MWh and 4,306,576 MWh in 2019). Electricity consumption at franchised stores amounted to 150,114 MWh (226,520 MWh in 2019) and consumption in business travel came to 18,488 MWh (218,274 MWh in 2019).

GREENHOUSE GAS (GHG) EMISSIONS

TOTAL: 15,009 KT CO₂ EQ



More information in the section Minimising environmental impact across the value chain indicators in the Appendices to this Annual Report



The commitment to clean energies and the implementation of circular management models are the cornerstones of our Environmental Management System.

e) Energy Management

Environmental Management System

The commitment to clean energy and the implementation of circular management models in our headquarters and logistics centres are the cornerstones of our Environmental Management System (“EMS”), which is certified under the ISO 14001 international standard. In 2020, we obtained the abovementioned certification for the textile warehouse (in A Laracha, Spain) and for the Lelystad Logistics Platform (Netherlands), which have been operational since 2019.

Thus, the EMS is implemented in all logistic centres, headquarters and Company-owned factories. We have a 27-people team responsible for monitoring and assessing the appropriate implementation of the EMS and the prevention of environmental risks associated with these centres.

During 2020 and 2019, the Inditex Group has not registered through available channels any significant penalty or sanction for non-compliance with environmental laws and has no facilities located in protected areas.

Risk Management and Control Policy

Meanwhile, our Risk Management and Control Policy sets the basic principles, key risk factors and the general framework of action for the management of the risks affecting the Group. This Policy was approved by the Board of Directors in the meeting held on 9 December 2015 and was later modified on 14 December 2020. The scope of application of this Policy extends to the entire Group and forms the basis of an Integrated Risk Management System. In this framework, the business units constitute the first line of defence in the management and control of the risks to which the Group is exposed, including those of a climate-related nature.

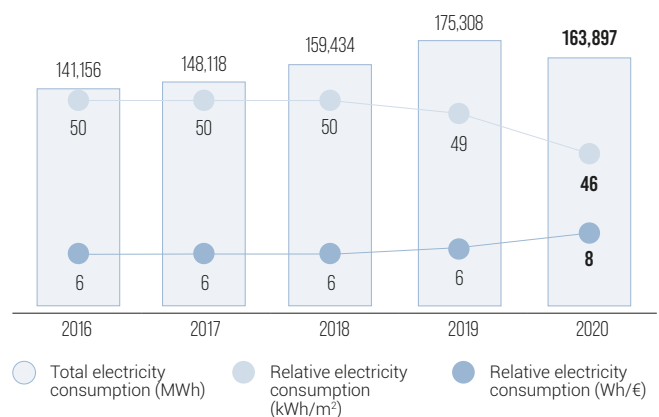
More information in the chapter on Enterprise Risk Management Systems in the Annual Financial Statements included in this Annual Report. The chapter is an extract of the Inditex Group's Corporate Governance Report for 2020.

Bearing our business activity in mind, the Group has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that could play a significant role in terms of the net assets, the financial situation and results of the Company. For this reason, such specific breakdowns are not included in this report.

Efficiency in corporate headquarters, logistics centres and own factories

Eco-efficiency is a priority at all the Group's facilities. This is evidenced by the investments undertaken to fulfil the *Instruction for Proper Environmental Management*, an internal document aimed at ensuring that headquarters and platforms are eco-efficient. The daily management of eco-efficiency promotes good practices between our employees, which allows obtaining control of the consumption of resources and applying measures to reduce that consumption.

ELECTRIC ENERGY CONSUMPTION AT OWN LOGISTICS CENTRES, OWN HEADQUARTERS AND OWN FACTORIES (MWh)^(*)



(*) Consumption for December 2020 and January 2021 has been estimated for some centres.



Designed in accordance with **bioclimatic concepts**.

554 **photovoltaic** panels.

Energy consumption is **100% renewable-sourced**.



High efficiency glass in the entire façade and roof generating an estimated **energy saving** of 22%.

Re-harnessing rain water for non-drinking uses.



Lighting system that **auto-regulate lighting conditions** according to exterior light and internal occupancy of the building.



New eco-efficient and technologically advanced building for the headquarters of Zara.com and Zara Men in Arteixo, A Coruña

Our offices are an extension of our philosophy: think and act responsibly and sustainably to generate shared value and to advance towards a circular economy.

At Inditex, we have a Manual of Good Environmental Practices at the Office for guiding responsible behaviour at our offices. It is an invitation to all personnel of the Group to mark the difference at their job position in different areas (energy and climate change, water, biodiversity and materials, and waste) with small daily gestures.



Collaboration with some **proximity restaurant businesses**, invited to provide their menus in the canteen of Inditex's headquarters in Arteixo (A Coruña).



Through the **KM 0 Market** initiative, our employees can also buy a selection of products from these local suppliers directly at our headquarters.



The **Picnic Dinner** service enables our employees to request leftover meals from the lunchtime menu to reduce food waste and foster circularity.



360° Restaurant

Inditex has four canteens operating under the **360° Restaurant** philosophy at its facilities in Arteixo (A Coruña). In 2020, these canteens served more than **2,800 daily meals**, with an average **74% purchased according to KM 0** (the ingredients are sourced within a 100 kilometres of the consumer). This model helps nurture indigenous varieties and species, ensuring a **sustainable management of land and water that reduces the carbon footprint and the impact on climate**.

LEED Certification in distribution centres and facilities

In order to ensure that our facilities meet the most cutting-edge requirements in terms of sustainable construction, since 2009 we have been certifying our more emblematic facilities under the most prestigious standards in sustainable construction⁽¹⁾.

LEED CERTIFICATION IN DISTRIBUTION CENTRES AND FACILITIES

1 LEED PLATINUM CERTIFICATION	INDITEX DATA PROCESSING CENTRE IN ARTEIXO
9 LEED GOLD CERTIFICATIONS	NEW HEADQUARTERS OF THE INDITEX GROUP'S CENTRAL SERVICES IN ARTEIXO
	ZARA LOGISTICS OFFICES
	ZARA LOGISTICS CANTEEN
	PULL&BEAR HEADQUARTERS
	CABANILLAS LOGISTICS PLATFORM
	MASSIMO DUTTI HEADQUARTERS
	MASSIMO DUTTI LOGISTICS CENTRE
	OYSHO HEADQUARTERS
	STRADIVARIUS HEADQUARTERS
1 LEED CI CERTIFIED	INDITEX GROUP'S CENTRAL SERVICES FACILITIES IN ARTEIXO (PHASES I, II, III)

In addition, in the year 2020 it maintained its ISO 50001 standard at the Inditex Data Processing Centre in the headquarters of Arteixo (A Coruña), certifying its energy management and more sustainable and efficient energy use. This facility consumes energy that is 100% from renewable sources, and it is certified as LEED Platinum by the US Green Building Council.

Eco-efficient stores

Eco-efficiency is a priority upon designing our stores, with the goal of **optimising the consumption and emissions** at all stages of their life cycle, including their design, construction and operation. To achieve this, we rely on the *Eco-efficient Store Manual*, which seeks to ensure that its efficiency and sustainability requirements are fulfilled. Such Manual defines the technical requirements for the installations and systems of the stores, as well as the operations to be carried out.

At the end of 2020, Inditex met its goal of ensuring that 100% of its stores are eco-efficient (93% in 2019; 86% in 2018). The stores that have been added this year notably include Zara Wangfujing in Beijing (China), Pull & Bear in Bilbao (Spain) and Stradivarius on Avenida Presidente Masaryk in Mexico City (Mexico).



Zara Wangfujing in Beijing, Asia's biggest, spanning more than 3,500 m²

(1) Currently valid certifications.



The new **Stradivarius** flagship store in Mexico



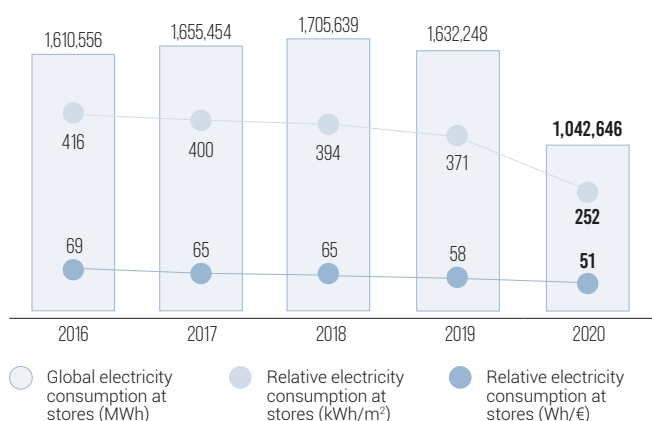
The **Pull&Bear** flagship store in Bilbao

“ In the online field, we are working to make Zara.com an eco-efficient website. In 2020, 100% of the energy consumed by its servers was from renewable sources.

Moreover, at the end of 2020, 60% of our own stores were connected to the central Inergy platform, designed to monitor and optimise energy consumption, achieve greater efficiency and reduce the environmental impact.

At the same time, the estimated power consumption in own stores decreased to 1,042,646 MWh. Note that energy indicators were undermined by store and facility closures as a result of the covid-19 health crisis.

ESTIMATED ELECTRICITY CONSUMPTION AT OWN STORES (MWh) (*)



(*) The electricity consumption has been calculated on the basis of actual data on the central monitoring platform. In order to estimate average consumption, the data from 2,017 stores has been used, 100% of which are eco-efficient.

Similarly, the certification of several company properties under international sustainable construction standards, such as LEED and BREEAM⁽²⁾, are also an example of our commitment to the improvement of our environmental development.

10 LEED PLATINUM CERTIFICATION	29 LEED GOLD CERTIFICATIONS	1 BREEAM CERTIFICATION
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In the digital field, we are working to make our Zara online store an eco-efficient website. The images, videos and information provided on Zara.com are housed at our own data centres and on external servers. In 2020, 100% of the energy consumed at Zara.com offices, at the Technological Centre and at external servers was renewably sourced.

Moreover, to respond to the increasing usage of the website, we enhanced our server structure with technologies to boost energy performance, through the use of more efficient power sources or improved heat dissipation systems.

Efficiency in transport and distribution

The efficiency of our network of logistics centres is a determining factor for us to be able to ship our products to stores twice per week. Moreover, at Inditex we understand that the optimum management of transport and packaging is key to making more efficient use of resources, thereby reducing the emissions associated with our processes. In this regard, we believe that the commitment to sustainability and efficiency also has a positive impact on the business.

With the aim of improving the efficiency associated with our distribution and logistics operations and of reducing ensuing Scope 3 indirect emissions, the Group has conducted a number of initiatives, notably including:

(2) All the certifications are currently valid.

FEATURED INITIATIVES



PACKAGING

Optimised packing and packaging and increased multimodal transport in certain flows.

LOAD OPTIMISATION

Improved box-packing controls thanks to the introduction of new protocols for load optimisation, revision and adjustment.

Truck load optimisation to further reduce the number of vehicles along European road routes. In 2020, 1,600 vehicles were saved using this measure (2,000 and 1,480 in 2019 and 2018, respectively). Furthermore, this has brought savings of 2.7 million km and the associated emissions (3.4 and 2.5 million km in 2019 and 2018, respectively).

In order to leverage the flows along the routes servicing the European stores and in an effort to avoid empty return truck runs, we use these trucks for goods returns to Spain. In 2020, we have used 4,000 return truck runs, resulting in savings of 6.8 million of km and associated emissions (5,400 trucks and 9.2 million km in 2019; 5,163 trucks and 9 million km in 2018).

HIGH-CAPACITY VEHICLES

Increased number of routes using our high-capacity vehicles, such as the giga-trailer, which provides an increase in truck load volume, reducing CO₂ emissions. Moreover, in 2020, a flow has also been added to those currently implemented, with one of our transport providers for the transport of containers through the port of Algeciras, being the first duo-trailer container carrier recorded in Spain. In 2020, more than 1.2 million of kilometres have been covered using these modes of transport.



VI ENGINE STANDARD

82% of the fleet of our overland transport suppliers, accounting for 89% of total business turnover of primary overland transport, meets the Euro VI engine standard, the most exacting at present in matters of nitrogen oxide and particle emissions.

LIQUEFIED NATURAL GAS (LNG) TRAILER

Use of a LNG trailer on routes when it is permitted. In 2020, more than 311,000 km were covered loaded with goods (540,000 and 410,000 km in 2019 and 2018, respectively). We have also brought in a new unit for flows to and from our Distribution Centre in Lelystad, Holland, which makes two trips per week. The reduction in kilometres travelled is explained by the occurrence of the health crisis arising from covid-19.

CLEAN CARGO

We joined this initiative in 2020 with the aim of curbing the environmental impacts of worldwide freight transport and to fostering responsible sea freight. There is collaboration, within the *Clean Cargo Working Group*, between companies dedicated to integrating environmental and socially responsible business principles into transport management. Its CO₂ emission calculation methodology is the shipping standard used by other initiatives, such as the US Environmental Protection Agency (EPA) *SmartWay* Programme and the Global Logistics Emissions Council (GLEC).

ELECTRIC CARS

Use of a last-mile electric vehicle in China for delivery to stores, reducing greenhouse gas emissions and air pollution in cities.



Minimising Scope 3 greenhouse gas emissions in travel is also one of our priorities. Along these lines and since 2019, all of our office employees can go to their offices using the shuttle bus service. We also continue to implement the WESHARE application for carpooling to the workplace. These measures reduce traffic density and driving times in daily trips.

Similarly, in 2020, the number of charging points for electric vehicles in all Group central services rose by 150%, thus encouraging use of such vehicles among employees. During 2020, over 71,000 kWh⁽³⁾ have been dispensed from electrical vehicle charging stations (over 47,000 kWh in 2019), preventing the generation of emissions associated with the use of fossil fuels.

Atmospheric emissions and noise pollution

Our logistics centres meet the requirements of applicable legislation on control of atmospheric emissions from combustion equipment. Authorised control bodies carry out regular verifications and checks of the limit values of emissions generated by the combustion equipment (heating boilers and steam boilers) subject to control according to the legislation in force. Such regular controls verify compliance with the emission limit values for the parameters applicable to each case (for example: CO, NOx, SO₂ or Opacity).

In addition, the night-time distribution model includes the product supply to the stores at night, when noise pollution levels are more restrictive than in the daytime. Moreover, we have developed an Unloading Equipment Protocol calling for reduction of noise during unloading operations.

GLOBAL LOGISTICS EMISSIONS COUNCIL (GLEC)

Since 2020, we are part of the GLEC, a universally recognised global method for harmonised calculation and notification and reporting on the greenhouse gas footprint of logistics across the multimodal supply chain.

SMART FREIGHT CENTER

It is a non-profit organisation dedicated to sustainable transport. Its vision is to achieve an efficient global logistics sector and zero emissions, that contributes to the goals of the Paris Agreement on climate action and the Sustainable Development Goals. To achieve this vision, it brings together the global logistics community through their *Global Logistics Emissions Council* (GLEC).

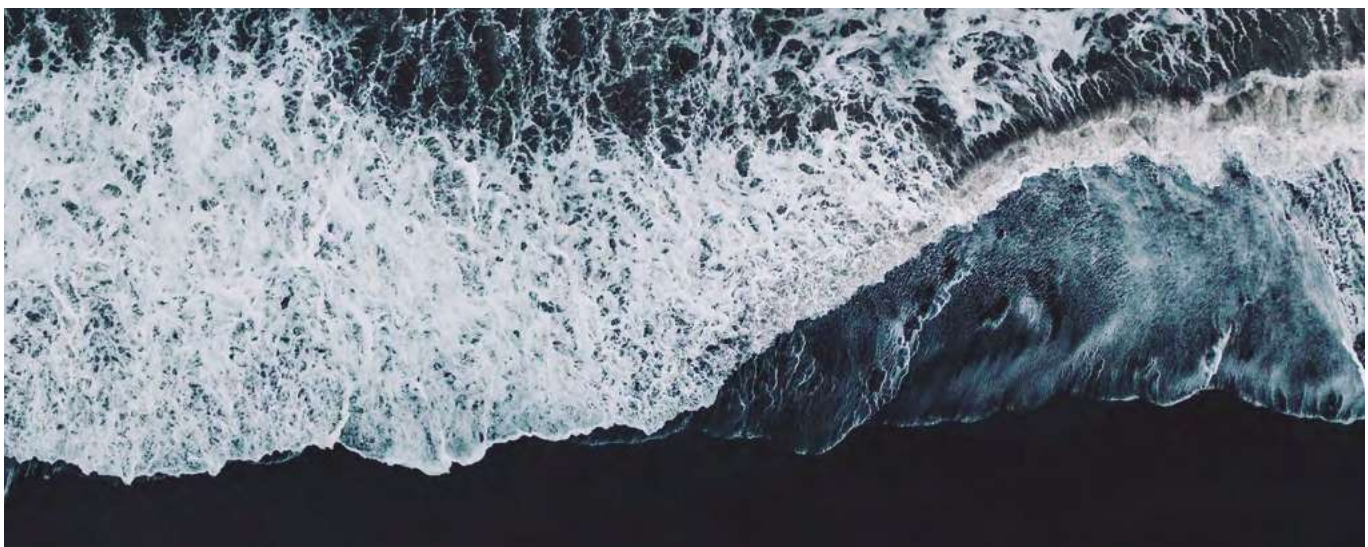
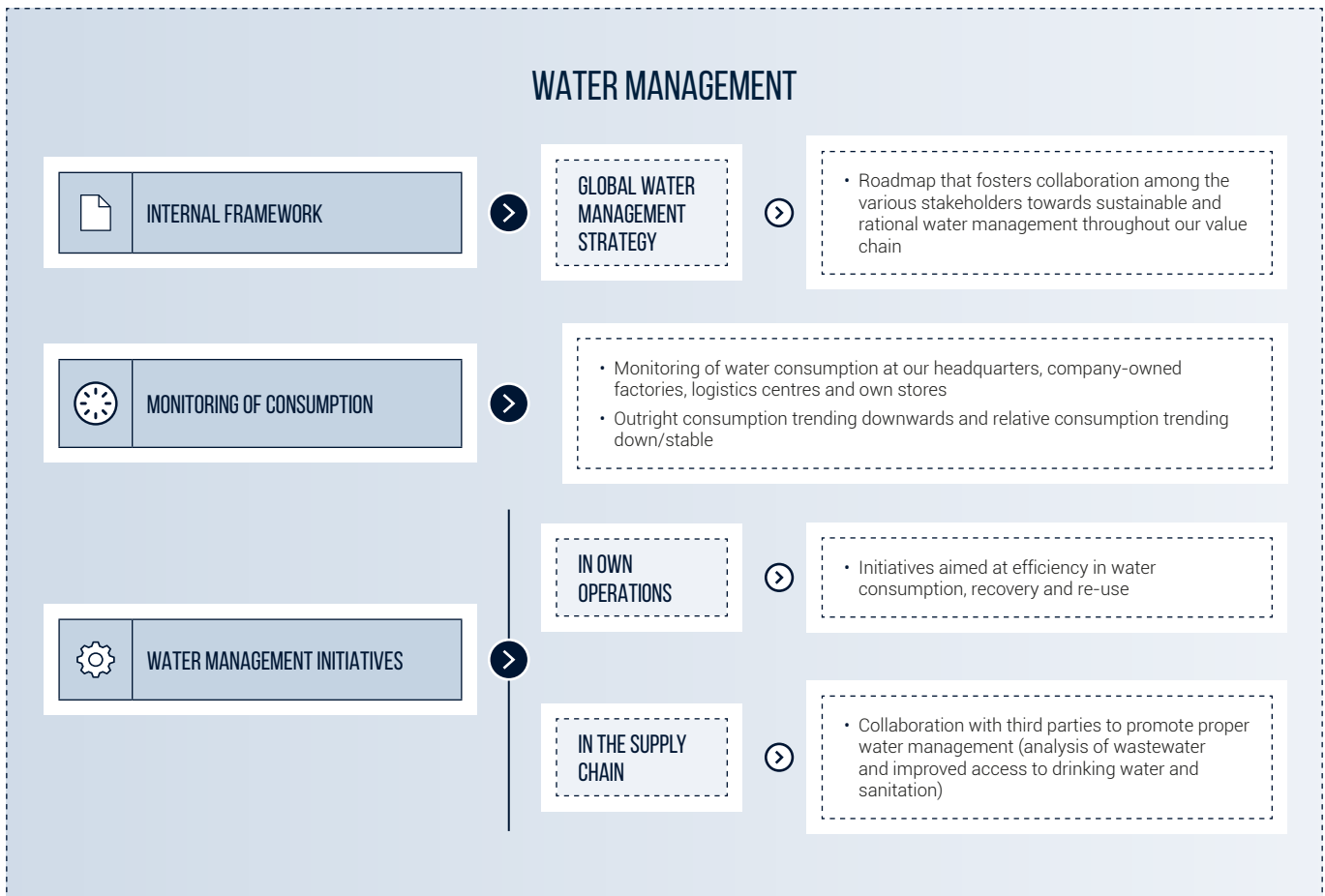
⁽³⁾ Electrical consumption by electrical vehicle charging points in Group central service facilities, own logistics centres and own factories. The January-2021 consumption has been estimated for some centres.

3.1.3. Our approach to water management

Water is one of the most valuable resources to safeguard the sustainability of the planet and of those of us who inhabit it. We are aware of its vital importance to life and to almost all human activities, while at the same time we

are mindful of its fragility and scarcity in suitable conditions to meet the needs of many people and ecosystems worldwide.

Our supply chain uses water in the farming of cotton and other fibres, as well as in the wet processes to manufacture garments (washing, dyeing, and printing). Therefore, we devote major efforts to guaranteeing the compliance, improvement and strengthening of the environmental commitments of our supply chain.



“ We are constantly in search of innovative processes for responsible and sustainable water use.

a) Global Water Management Strategy

The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards sustainable and rational water management throughout our value chain.

All our guidelines are set forth in accordance with the **commitments made in the CEO Water Mandate**, which is part of the United Nations Global Compact.

Environmental and social aspects are associated in this initiative, given that water in the world affects the quality of river ecosystems, and **the development of many communities is dependent on this resource.**

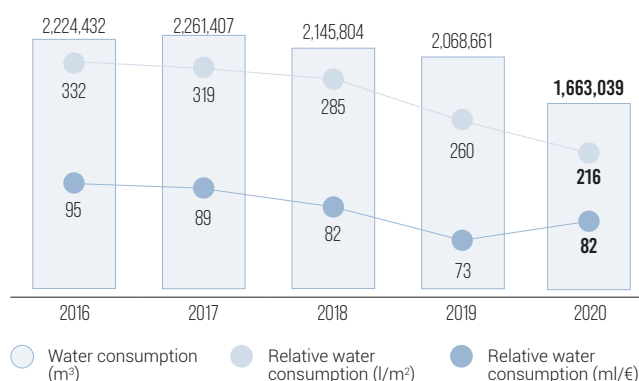
We are always in search of innovative processes for responsible and sustainable water use that enable us to be more efficient, while curbing our environmental impact and protecting marine and freshwater habitats.

b) Consumption

We have consumed, with our activities, a total 1,663,039 m³ of water at our corporate headquarters, Company-owned factories, logistics centres and own stores⁽⁴⁾. We calculate this consumption through direct meter readings and bill charges from public water utilities companies. The water consumption indicators have also been affected by the closure of our stores and headquarters for several months due to the health crisis. In 2020 we reduced relative water consumption per square metre by 17% at our corporate headquarters, own factories, logistics centres and own stores, compared to last year.

The largest consumption of water in our facilities corresponds to domestic use, namely cleaning and toilets, ensuring discharge through municipal wastewater systems. In industrial processes water is mainly used to generate steam and for closed-circuit cooling systems, which use recirculation systems. As the cooling systems are closed-circuit systems, the amount of water discharged can be estimated to be the same as the water used. Wastewater in all facilities is discharged to the appropriate wastewater systems. At Inditex, water consumption does not affect protected habitats.

WATER CONSUMPTION (M³)



c) Initiatives in own operations

In order to reduce our water usage and improve reuse, we have installed storm tanks to collect roof rainwater for irrigation, road cleaning and other services. In 2020, we recovered 24,742 m³ of water at our centres in Cerdanyola, Arteixo and Lelystad.


The Indipunt facility at Narón features advanced technology that enables 100% of water to be reused for irrigation of gardens and toilet systems, resulting in significant savings in water usage for the Indipunt facility. This water recovery project is the first project of its kind approved in Galicia, after having successfully passed the strict control procedures established by the Public Administration.

(4) The consumption by own stores has been calculated based on the net expenditure per store. The specific average price of 20 markets has been used. For all other markets, we have used the average of m³/m² per brand.

d) Initiatives in the supply chain

Collaboration with ZDHC and the Chinese Institute of Public and Environmental Affairs (IPE)

Along with ZDHC (Zero Discharge of Hazardous Chemicals) and other retailers, Inditex seeks to change the approach of the textile industry and lay down the foundations for sustainable management of chemical substances. We collaborate with our suppliers to disclose the results of wastewater analyses obtained from the *Green to Wear* assessments on the ZDHC Gateway platform.

 More information in chapter 3.4. *Sustainable management of the supply chain* of this Annual Report.

It is worth highlighting our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE) in the improvement of environmental management in the China supply chain and the disclosure of the results of wastewater analyses on the IPE website. Beyond textile facilities, we have included upstream suppliers such as chemical product suppliers and centralised effluent treatment plants.

In 2020, the IPE ranked Inditex in the top 4 out of 582 brands, in the top 3 of the textile sector in its Corporate Information Transparency Index (CITI).

Other partnerships

Water is a fundamental resource for the textile industry and we are committed to responsible water consumption. Ensuring that drinking water is available in the communities is critical for social development and economic strength, as well as for health and safety.

In light thereof, since 2015 we have worked with *Water.org* to improve access to drinking water and sanitation for low-income populations. In 2020, we signed a new four-year agreement allocated with 6 million dollars (5.2 million euros) in order to undertake the *"Empowering women and families with access to water and sanitation"* programme. Under this programme, access to drinking water and sanitation will be provided to over 2.3 million vulnerable people in Bangladesh, Cambodia and India.

 More information on the collaboration with *Water.org* in chapter 4.2. *Corporate Community Investment* of this Annual Report.



The aim of the collaboration with Water.org is to increase access to drinking water and sanitation by providing microloans to women in developing countries.

2015-2020 DATA



Inditex's **6-million-dollar** contribution (5.2 million euros) has made it possible to mobilise 168 million dollars of additional capital, which has enabled 366,000 microcredits to be granted.



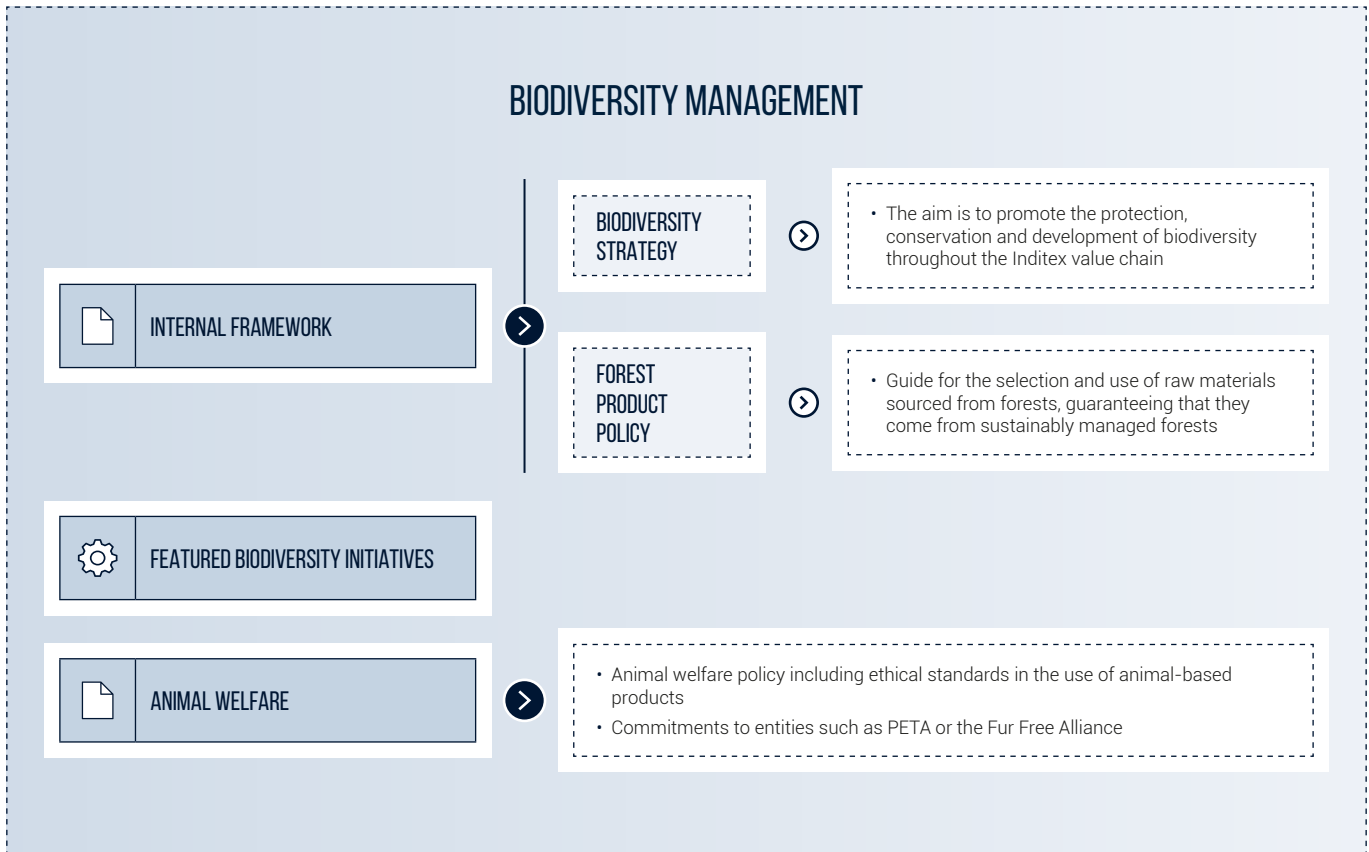
From 2015-2020, **1.5 million people** have improved their health conditions in Bangladesh and Cambodia.

3.1.4. Our approach to biodiversity

At Inditex we are committed to the protection and development of biodiversity through the responsible and sustainable management of natural resources.

Our Biodiversity Strategy is founded on the principles of the United Nations Convention on Biological Diversity. Its core goal is to protect biodiversity at all levels of our activity and to serve as a guide for our business decisions to meet ethical and environmental criteria.





a) Biodiversity related initiatives

Our work in the field of biodiversity is closely related with our actions to reduce energy consumption and improve water quality.

Thus, we pay special attention to the raw materials we choose to make our products, as these decisions have a direct impact on biodiversity.

Furthermore, as part of our Biodiversity Strategy and our Forest Product Policy, which was approved in March 2014, we take part in various initiatives related to forest conservation in partnership with several institutions.

More information on chapter 3.3. Sustainability of our products of this Annual Report.



FEATURED INITIATIVES



PARTNERSHIP WITH THE XUNTA DE GALICIA AND THE FORESTRY RESEARCH CENTRE OF LOURIZÁN

As part of our forestry strategy, we collaborate in the programme of genetic improvement of the main forest species in Galicia.



PICO SACRO DEMONSTRATION FOREST

We continue to work to make Pico Sacro demonstration forest a model of a biological carbon sink, as well as a forestry dissemination laboratory. The initiative is aimed at supporting Galician foresters by transferring the learning from the project and defining and publishing environmental indicators for CO₂ absorption in partnership with the *Forest Stewardship Council (FSC)* in Spain and the Forestry Association of Galicia. The main activities carried out notably include:

- Training days and video tutorials on pruning and treatments of broad-leaf trees and conifers.
- Improved cherry plantations.
- Pruning of American oak, walnut and chestnut trees.
- Clearing and weeding the planting surface to remove competing plants.
- Maintenance tasks and replacing native dead plants in conservation areas.

With the new plantings, as at 31 January 2021, CO₂ absorption by trees is estimated to reach the figure of 730 tons over the next 30 years⁽¹⁾ (683 tons at 31 January 2020).

Furthermore, the Demonstration Forest has the FSC certificate for ecosystem services for carbon and biodiversity, the first SLIMF (*Small and Low Intensity Managed Forest*) in Spain to achieve this.

(1) Based on the *ex ante* carbon dioxide absorption calculator of Spanish forest species recommended by the Spanish Climate Change Office.

FORESTRY ASSOCIATION OF GALICIA

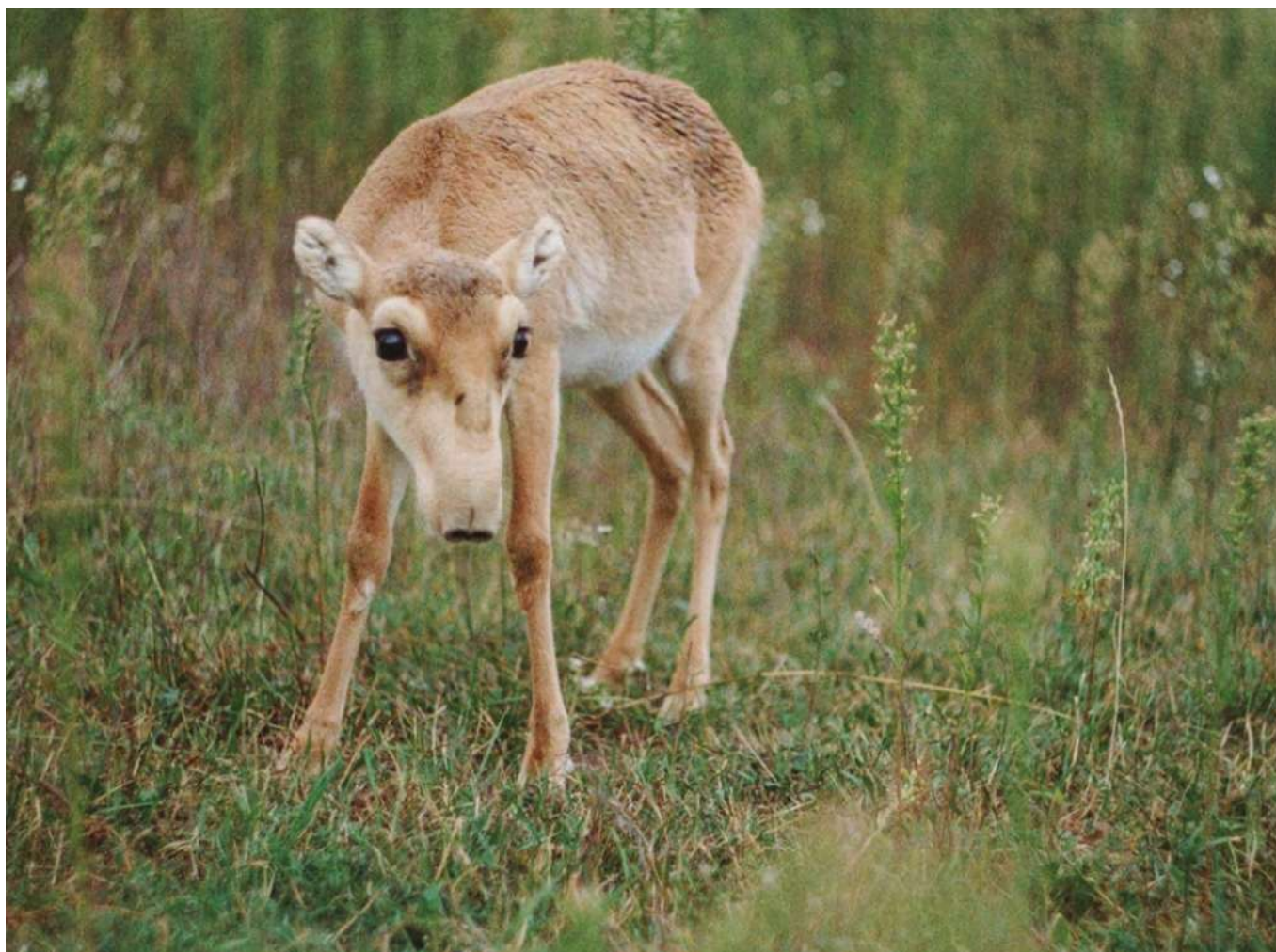
In 2020, Inditex signed an agreement with the Forestry Association of Galicia for the environmental restoration of forest areas that have been affected by forest fires, have degenerated or have been severely damaged by natural disasters and on which action is necessary in order to prevent them from being abandoned.

The purpose of restoration actions is to:

- Prevent erosion and maintain the fertility of soil.
- Ensure efficient water distribution in the restoration area, adapting the technical elements, infrastructure and actions taken on the soil in order to improve the availability of water;
- Optimise the CO₂ absorption capacity of trees introduced in the areas under restoration;
- Preserve the existing biodiversity in the area of intervention;
- Consider the connectivity and recovery of wildlife mobility;
- Consider the risk of pests and diseases;
- Plan according to forest fire risk factors.



Inditex has an animal welfare policy including ethical standards in the use of animal-based products, pursuant to the Five Freedoms of animal welfare.



b) Animal welfare

Inditex has an Animal Welfare Policy that includes ethical standards in the use of animal-based products, pursuant to the Five Freedoms of animal welfare for the ethical and responsible treatment of animals, and it has been developed in partnership with the Humane Society of the United States (HSUS).

All animal-based components in items marketed by our brands must be sourced from ethically and responsibly

treated animals. We do not use leather or products originating from animals exclusively slaughtered to sell their leather, shells, horns, bones, feather, down, or any other material, or cosmetics tested on animals.

In this respect, and in line with our commitments to organisations such as People for the Ethical Treatment of Animals (PETA) and the Fur Free Alliance, we do not market any products with Angora wool, we eliminated mohair in the 2020 spring–summer campaign and we do not use fur.



Alignment with the Task Force on Climate-related Financial Disclosures (TCFD)

3.2. Alignment with the Task Force on Climate-related Financial Disclosures (TCFD)



RELATED MATERIAL TOPICS:

CLIMATE CHANGE
RISK MANAGEMENT AND CONTROL SYSTEMS



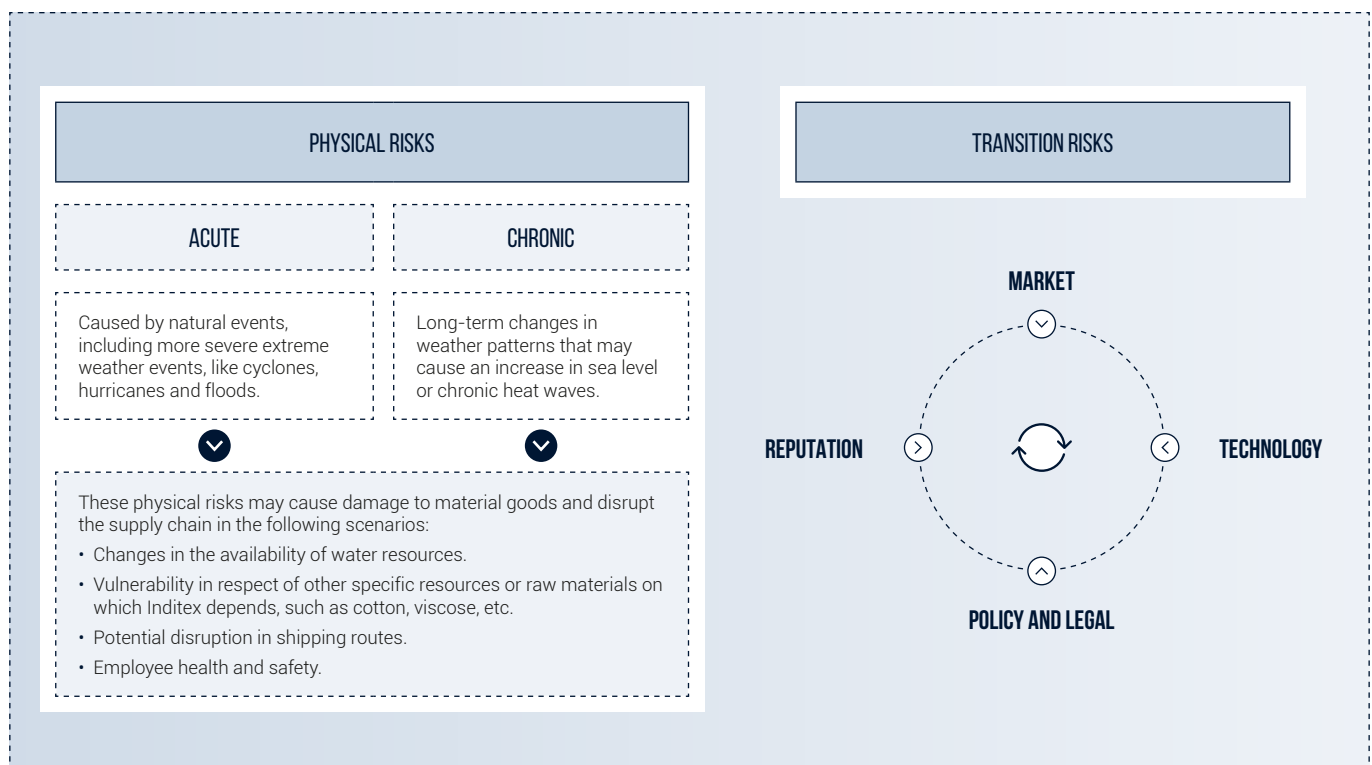
In 2020, we showed our support for the Task Force on Climate-Related Financial Disclosures (TCFD) and we undertook to include their guidelines to boost transparency concerning the risks and opportunities deriving from climate change for our Company.

Stemming from this commitment, in 2019 Inditex set up a cross-disciplinary working group tasked with analysing, managing and adapting our framework of disclosure and management in connection with climate to the TCFD guidelines. In 2020, the TCFD working group has made progress on this mission, evaluating the starting position of Inditex with respect to the recommendations identifying focus areas for the next few years. This 2020

Annual Report is the first to incorporate a TCFD chapter and index.

Introduction to the TCFD recommendations

Led by Michael Bloomberg, the *Task Force on Climate-Related Financial Disclosures* (TCFD) emerged in 2015 at the behest of G20 leaders. As the chart below shows, the TCFD goes beyond the traditional understanding of the risks linked to the climate that typically refer to the physical impacts resulting from extreme weather events, and includes transition risks, as well as the risks and opportunities associated with the shift to a low-carbon economy.





The TCFD recommendations are structured around four reference areas for organisations' business management (governance, strategy, risk management and metrics and targets), and build the information framework which can help investors and other stakeholders to understand how to tackle climate change from a business perspective. In each of these areas, two or three recommendations are included when it comes to reporting in connection with the description of processes, measures and objectives.



The Inditex Group's performance is exposed to the potential impact of climate change in its various manifestations of physical risk. These may be chronic, catastrophic or transitional (political, legal, technological and market changes). In this regard, in 2021 the working group is advancing in the process of integrating these recommendations in the Company's Integrated Risk Management System, as well as developing climate scenarios in order to assess the financial impact of physical and transition-related climate risks.

Furthermore, in its firm commitment to introducing increasingly stringent sustainability and climate change standards, the Group has set ambitious goals for reducing emissions approved by the Science Based Target Initiative (SBTi).

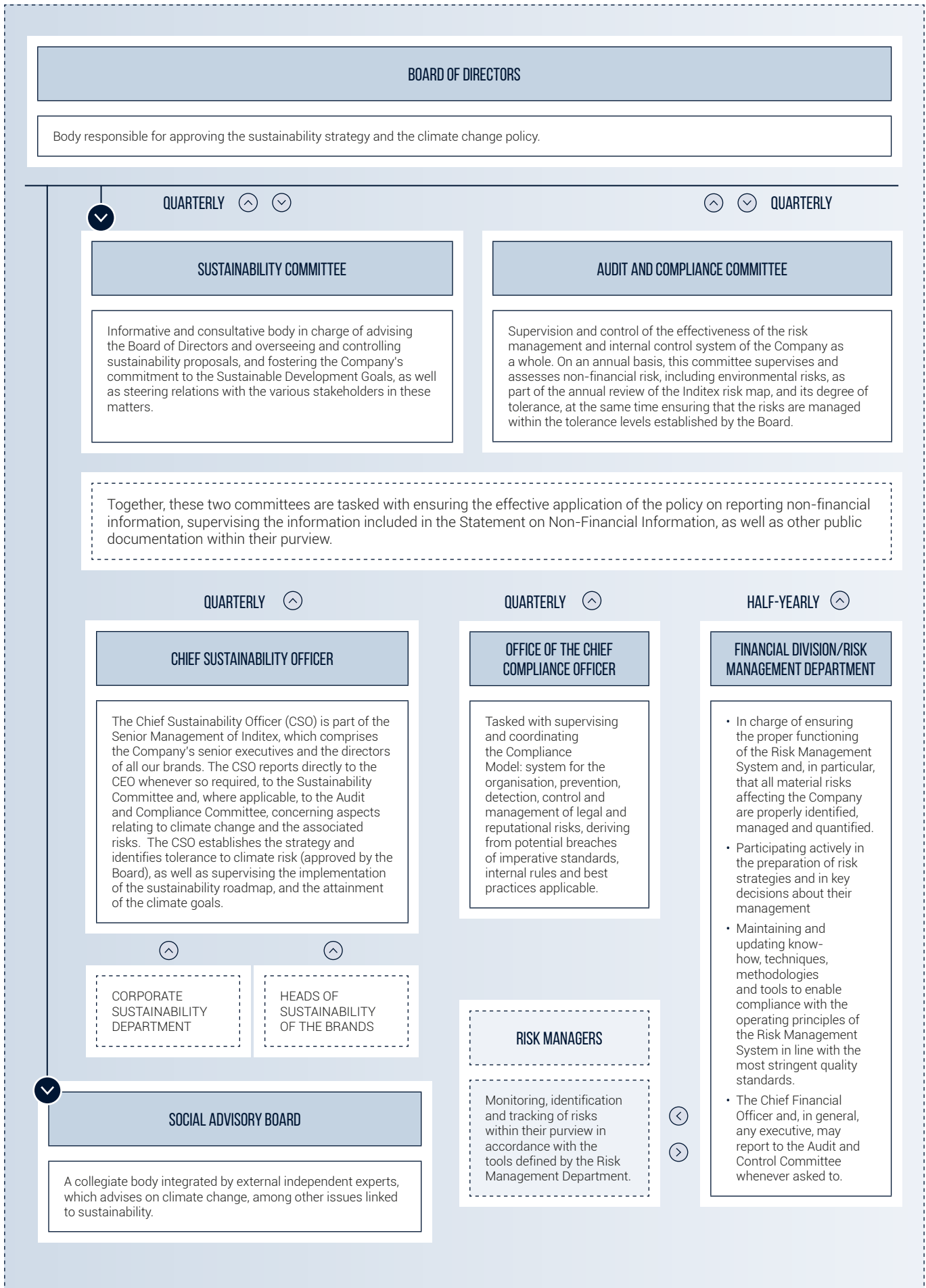
The goal is to reduce our scope 1 and 2 emissions by 90% and to reduce scope 3 (purchased goods) emissions by 20%, in both cases in the 2018-2030 period, with the ultimate aim of achieving net zero emissions by 2050.

i More information on these goals, initiatives and projects in the chapters 3.1. *Minimising environmental impact across the value chain*, 2.8. *Circularity*, and 3.3. *Sustainability of our products* of this Annual Report.

3.2.1. Climate governance

The Board of Directors is the body ultimately responsible for approving the Company's strategic plans, which includes the Sustainability Roadmap that will lead Inditex to be a net zero-emissions company by 2050. Consequently, on a quarterly basis, the Board of Directors monitors compliance with the goals established in the Strategic Plan, analysing, among other things, the indicators relating to sustainability. Sustainability, and in particular climate change, is an ever-present factor in our business model and in our decision-making process. This becomes patently clear with the creation of the Sustainability Committee as a delegate committee of the Board of Directors in 2019.

The Inditex Group's climate governance is a shared responsibility across all levels of the organisation, as evidenced by the following infographic:



3.2.2. Strategy

Our focus on decarbonisation

In 2019 we became one of the founding members of the Fashion Pact, to drive environmental sustainability in the textile and fashion industries to attain net zero emissions by 2050. At Inditex we are working to be an active part of this transition and we are aligning our strategy with this goal. In this regard, we highlight our Sustainability Roadmap, which outlines the milestones and commitments we have set for ourselves until 2025, in addition to the actions aimed at achieving our long-term objectives.

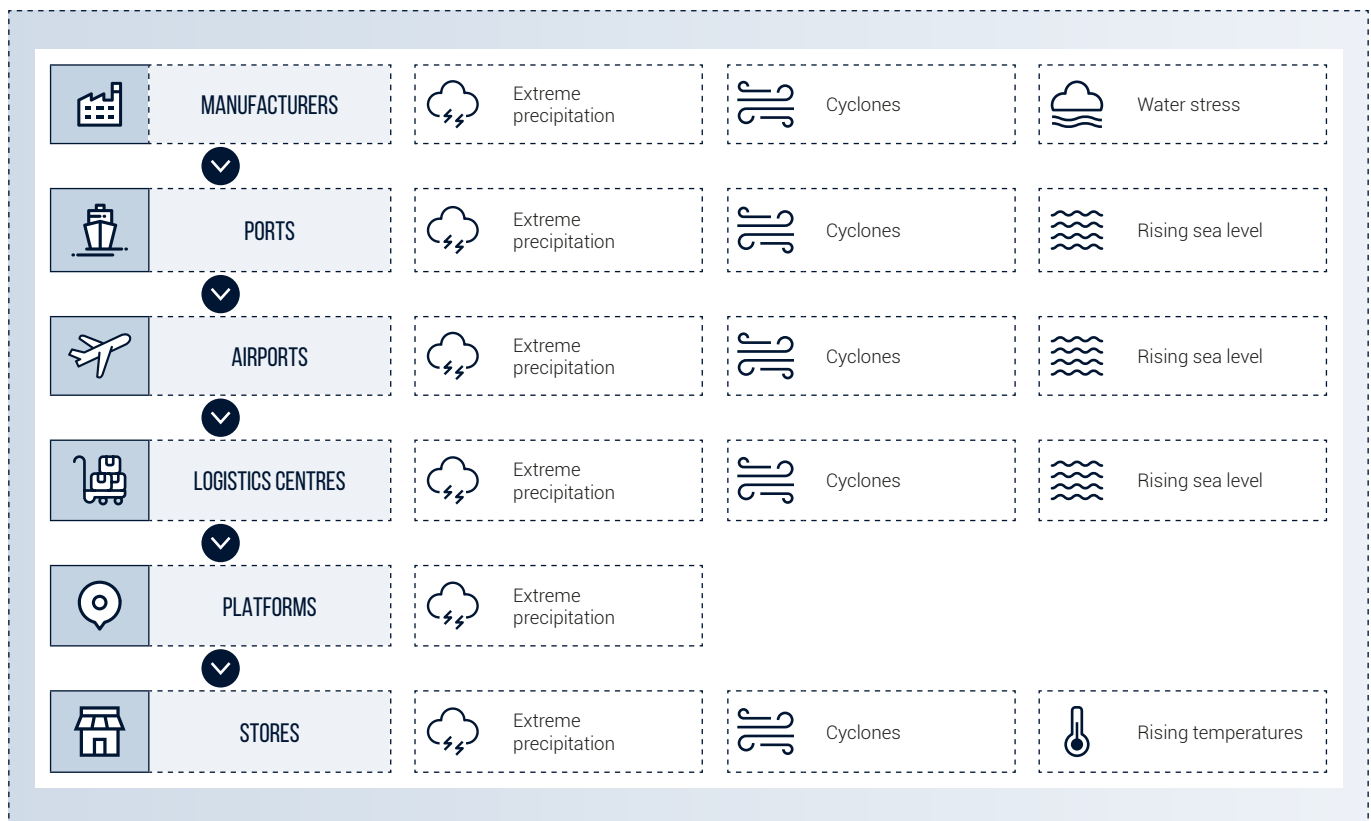
More information in chapter 3.1. Minimising environmental impact across the value chain.

In order to develop a resilient strategy that enables us to achieve net zero emissions, a holistic approach is required that involves the analysis of future climate scenarios and the identification of the associated risks and opportunities. Due to the time scale and nature of the challenge posed by climate change, these risks and opportunities have been assessed in the short (0-5 years), medium (5-10 years) and long (more than 10 years) term.

Scenario analysis










To make progress in this regard, since 2019 preliminary analyses of the physical risks of climate change are performed based on two climate scenarios – RCP 8.5 and RCP 2.6⁽¹⁾ – in accordance with the TCFD guidance. This analysis of physical risks yielded results on the impact that climate change could have on the conditions for the production and distribution of our products in the various regions in which we operate. The aim of this initial analysis was to gauge the resilience of our business model in different climate scenarios, and to obtain a preliminary estimate of the impact of these climate risks on our medium- and long-term models.

The analysis covered more than 11,000 locations of different kinds over the course of all the stages of our value chain, including various natural raw materials. Accordingly, climate change risk was assessed on the basis of probability and the Group's preparedness. The findings, which in this initial phase were qualitative, enable us to classify risk into one of five categories of impact by type of risk in each region and stage in the value chain.



(1) AR5, Synthesis Report, Intergovernmental Panel on Climate Change (IPCC), available here: https://www.ipcc.ch/site/assets/uploads/2018/05/SYR_AR5_FINAL_full_wcover.pdf.

CLIMATE CHANGE RISKS

RISK	DESCRIPTION	RISK MANAGEMENT	TYPES OF IMPACT	PHASE	TIME FRAME
Availability and price of natural raw materials	Cotton is the most common raw material used to produce our garments. Water stress and extreme precipitation may affect the production capacity of this raw material, especially in certain of the main regions where it is produced.	We are strongly committed to ecologically or organically grown cotton, cultivated using the most sustainable practices that include less use of water and that use only non-GMO seeds. Our commitment is embodied in the ambitious goal of using 100% recycled or sustainably-sourced cotton by 2025.	 		Medium term
Disruption of operations	As a result of acute weather events and natural disasters such as floods, fires, cyclones, etc. the key operations of the business and shipping processes could be disrupted or halted. These events could also affect the Group's critical infrastructure, such as the centres and logistics platforms.	Inditex has technical contingency systems that would reduce the consequences of a disruption or standstill. In addition, there are continuous review systems that, along with the insurance policies, would cover loss of profit and derivative expenses. In the specific case of logistics centres, these are configured so as to be able to undertake storage and distribution capacity for other centres in the event of a contingency caused by extreme weather events.	 	 	Medium term
Increase in the operating costs of our stores	Inditex has more than 6,800 stores worldwide. The widespread temperature increase will affect a considerable portion of our stores, especially in certain locations. According to the climate scenarios examined, the energy requirements for heating, ventilation and air conditioning at our premises will rise sharply, thereby increasing the associated energy costs.	Eco-efficiency is a priority at all facilities of the Group, and therefore major investments are being made in this area. This is an essential aspect in the design of our stores and we have ensured that all stores are eco-efficient in 2020. To achieve this, we rely on the <i>Eco-efficient Store Manual</i> , which seeks to ensure that its efficiency and sustainability requirements are fulfilled. Thanks to the eco-efficiency measures implemented in Inditex-owned stores, significant energy savings have been achieved, particularly in heating, ventilation and air conditioning systems, as these are able to achieve an energy yield and efficiency that are at least 20% better compared to conventional equipment.			Medium term

Types of impact

-  Increase in production costs
-  Increase in capital cost
-  Increase in operating costs
-  Loss of profit due to decreased sales
-  Delays and disruptions in the supply chain

Stages of the value chain



Opportunities deriving from climate change

The Group's positioning in terms of sustainability and the definition of long-term milestones is in turn enabling us to boost the opportunities associated with a transition to a zero-emissions economy. Consequently, using resource efficiency, renewable energy, energy efficiency and new product development as levers to generate value and competitive advantage, we may mitigate our exposure to physical risks.

In this regard, at Inditex we take an innovative approach throughout our value chain that fosters sustainability and circularity, implementing actions and undertaking commitments to reduce our global environmental impact. These actions and commitments are developed through various action lines linked to energy management, the circular economy, the protection of biodiversity by means of the development and use of more sustainable fibres, as well as managing the impacts on the supply chain. We developed the *Join Life* standard to identify all garments made of the most sustainable raw materials and the most environmentally friendly production processes. Furthermore, our *Green to Wear* standard encourages sustainable environmental behaviour in our supply chain, fostering best practices in manufacturing and encouraging efficiency of resources and the reduction and proper management of waste.

i More information on these goals, initiatives and projects in the chapters 3.1. *Minimising environmental impact across the value chain*; 2.8. *Circularity*; 3.3. *Sustainability of our products*; and 3.4. *Sustainable management of the supply chain* of this Annual Report.

3.2.3. Risk management

Inditex has an Integrated Risk Management System ("IRMS") covering the entire Group. The IRMS is grounded on the Risk Management and Control Policy and other internal rules governing the management and control of risks. Risk management in the Group is a process promoted by the Board of Directors and senior management, the purpose of which is to provide reasonable assurance that the objectives established as a response to the social and environmental challenges will be achieved, furnishing all stakeholders with sufficient guarantee to ensure that the value generated will be protected.

Within this integrated framework for management and control, there are three lines of defence. The business units constitute the *first* line of defence. The Risk Management Department and other areas with management and control responsibilities constitute the *second* line of defence. Internal Audit is the *third* line of defence, independently monitoring the IRMS and reporting to the Board of Directors by means of the Audit and Compliance Committee.

The IRMS encompasses all risks, both financial and non-financial. The risk factors to which the Group is exposed are classified into six categories: financial, geopolitical, technological, social, governance and environmental (including climate change-related) risks. In addition to the risk factors, the Risk Management and Control Policy establishes the general framework for standard and systematic management, as well as the processes for the identification, assessment and prioritising of risks. Risks are assessed in terms of impact, probability of occurrence and degree of preparedness, considering residual risk in the wake of the adoption of appropriate mitigation and control measures. Risks deriving from climate change are managed in the same way as the rest of risks to which the Group is exposed.

i More information in the section *Enterprise Risk Management Systems of the Annual Corporate Governance Report for 2020*.



RISK MANAGEMENT

BOARD OF DIRECTORS

Approval of the Risk Management and Control Policy, which establishes the basic principles, key risk factors and the general framework of action for their management.



AUDIT AND COMPLIANCE COMMITTEE

- Supervision of risk control and management, verifying their proper functioning on the basis of the policy approved by the Board.
- Assessment of the efficacy of financial and non-financial risk internal control and management systems, as well as the measures envisaged to mitigate the impact of the risks identified.
- Identification and re-assessment, at least annually, of the main financial and non-financial risks and their tolerance levels.
- Risk Map identifying the main risks by category and an assessment thereof as a function of their potential impact, probability and the Group's preparedness for tackling them.

SENIOR MANAGEMENT

- Awareness and dissemination of the importance of the Risk Management System and its value for all the Group's stakeholders.
- Definition and validation of roles, attributions and responsibilities within the framework of the Risk Management System.
- Approval of action plans and work plans derived from the risk management process itself, and activity monitoring.
- Establishing the level of risk that the Company considers acceptable, based on the objectives and interests of the Company and its stakeholders.

THREE LINES OF DEFENCE

FIRST LINE OF DEFENCE

BUSINESS UNITS

Reporting of the risks to which the Group is exposed in its various areas of responsibility, including those related to climate.

SECOND LINE OF DEFENCE

RISK MANAGEMENT/COMPLIANCE FUNCTION

Tasked with coordinating and updating the Integrated Risk Management System to maintain maximum quality standards.

THIRD LINE OF DEFENCE

INTERNAL AUDIT

Independently and objectively supervising the Risk Management System.

ANNUAL

QUARTERLY



Risk management is a process promoted by the Board of Directors and Senior Management to provide reasonable security in achieving objectives in response to the social and environmental challenges.

3.2.4. Metrics and targets

At Inditex we are committed to actively protecting the environment by reducing the impact of our activity and taking steps to help keep our planet below the global warming threshold established in the Paris Climate Agreement.

Targets

With this goal in mind, Inditex has set ambitious emissions reduction targets approved by the Science Based Target Initiative (SBTi), which envisage a 90% reduction in Scope 1 and 2 emissions and a 20% reduction in Scope 3 (purchased goods) emissions, in both cases for the 2018-2030 period. These targets are the first milestone in Inditex's ambitious emissions reduction strategy, whose purpose is to achieve decarbonisation by 2050.

Scope 1, 2 and 3 emissions

The set of measures launched by Inditex to reduce emissions has resulted in a 76% reduction in Scope 1 and 2 emissions since 2018. In 2020, we continued to work on improving the calculation and reporting of our Scope 3 emissions.

i More information on the method used to calculate greenhouse gas emissions in the section on *Minimising environmental impact across the value chain indicators* in the Appendices to this Annual Report. More information on the breakdown of emissions by category established in the GHG Protocol in chapter 3.1. *Minimising environmental impact across the value chain.*



	2018	2019	2020	2018-20 % CHANGE
ENERGY				
ELECTRICITY				
Global consumption (MWh)	1,865,074	1,807,556	1,206,543	-35%
% Renewables	45%	63%	81%	81%
NATURAL GAS (MWh)				
	103,724	84,627	63,905	-38%
DIESEL (MWh)				
	329	764	256	-22%
Emissions (tCO₂e)				
SCOPES 1 AND 2				
Scope 1	21,055	17,311	12,986	-38%
Scope 2 Location-Based	766,968	750,638	472,510	-38%
Scope 2 Market-Based	486,957	332,789	108,006	-78%
TOTAL SCOPES 1 AND 2 LOCATION-BASED	788,023	767,950	485,496	-38%
TOTAL SCOPES 1 AND 2 MARKET-BASED	508,012	350,101	120,992	-76%
SCOPE 3	-	20,151,227	14,888,172	-
Material metrics				
REVENUE (€)				
Scope 1 and 2 Location-Based per €	30	27	24	-21%
Scope 1 and 2 Market-Based per €	19	12	6	-69%
TOTAL AREA (M²)				
Scope 1 and 2 Location-Based per m ²	105	96	63	-40%
Scope 1 and 2 Market-Based per m ²	68	44	16	-77%

As a result of the methodology update, the categories reported in 2019 were also updated. Total Scope 1+2+3 emissions in 2019 amounted to 20,501KT CO₂eq (vs. 20,530 KT CO₂eq reported in the previous Annual Report).

Emission indicators have also been affected by the closure of our stores and headquarters for several months of the year, and by the promotion of teleworking, due to the health crisis arising from covid-19.

Mechanisms to incentivise decarbonisation

Variable remuneration

At Inditex we have internal mechanisms to incentivise decarbonisation actions at the Company. In accordance with our values of transparency and our orientation towards results and simplicity, we link our people's variable remuneration to the Company's goals and the sustainability commitments for all employees.

Receipt of variable annual remuneration at Inditex is linked to compliance with sustainability goals. Specifically, in the

corporate year 2021, the weighting of sustainability goals in total variable remuneration is at least 15%.

In addition, Inditex has a long-term incentive scheme for members of the management team and other employees covering the 2019-2023 period. This incentive includes, among other sustainability criteria, a reduction in the ratio of greenhouse gas emissions in the Company's own operations with respect to the volume of the Group's total sales. This index has a maximum weighting of 10% over the total.

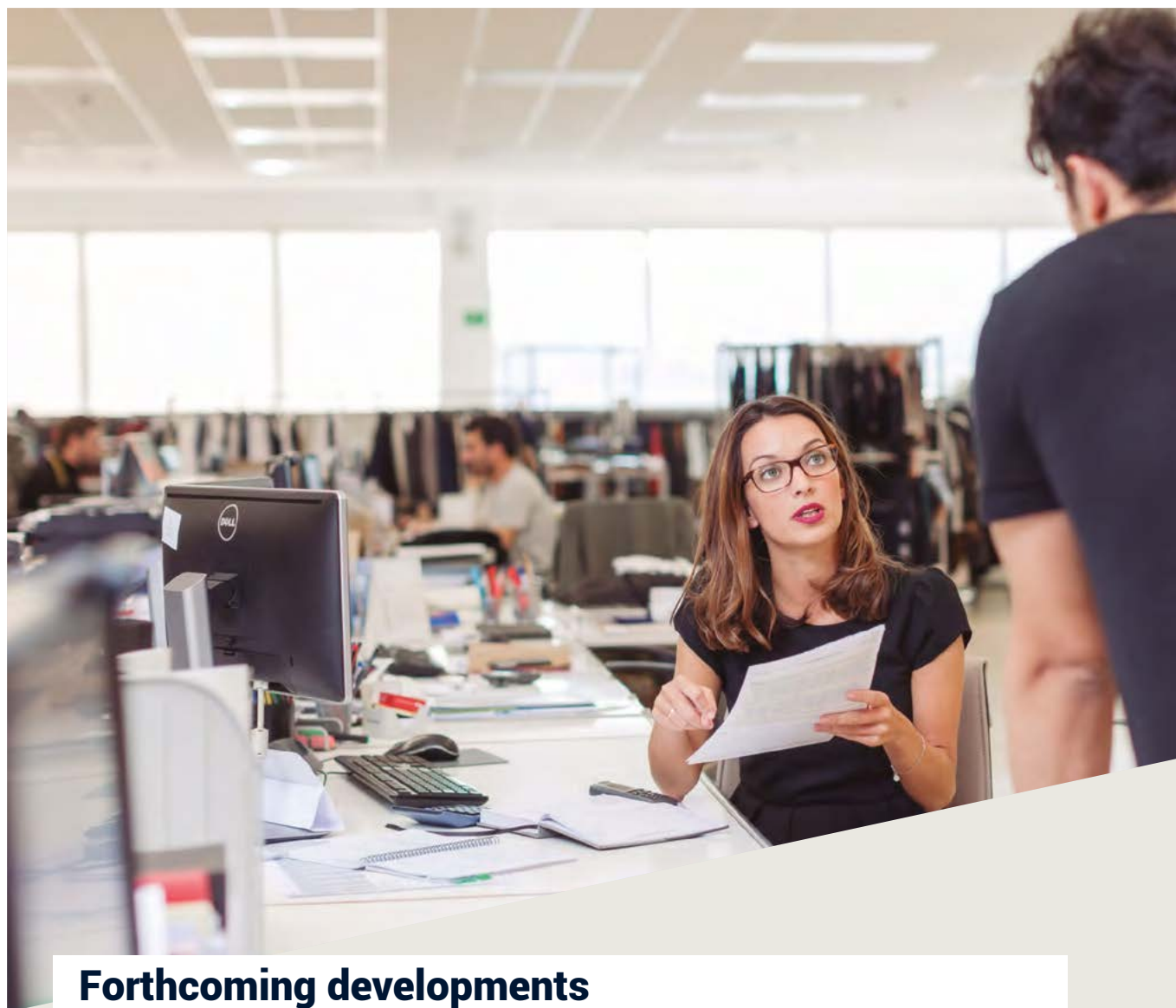
Join Life label

We use the *Join Life* label to identify all garments made of the most sustainable raw materials and the most environmentally friendly production processes. This standard enables us to advance in our endeavours to curb our impact and steadily boost the level of demand for sustainability criteria in our garments. In 2020, 38% of our products were *Join Life*, and all of our brands include a variable linked to goals relating to this label.

 More information at chapter 3.3. *Sustainability of our products* of this Annual Report.

Our commitment in the fight against climate change has been recognised for the third consecutive year with the Leadership A- category in the CDP Climate Change index. This list integrates companies that comply with the maximum criteria of the Carbon Disclosure Project regarding strategy,

objectives and actions related to the risks and opportunities of climate change. Moreover, Inditex featured in the Dow Jones Sustainability Index as leader in the environmental section, evidencing its position as one of the retail companies with the best performance in this regard.



Forthcoming developments

Key areas we will be working on in the coming months include formalising the process of monitoring and controlling climate risks and opportunities to ensure continuity and support from the Board of Directors.

Building on the work done so far, we will address the formalisation of processes and quantification of the financial impact associated with the climate risks and opportunities identified in the short, medium and long term. Likewise, we will expand the use of the Integrated

Risk Management System so that it can also be used as a detailed tool for Inditex's climate risks, and for the related management processes.

With regard to physical risks, the analysis of scenarios will be further developed. And with regard to transition risks and opportunities, an analysis of climate scenarios will commence. Both activities will be carried out with a prestigious scientific institution.



Sustainability of our products

3.3. Sustainability of our products

RELATED MATERIAL TOPICS:

PRODUCT SUSTAINABILITY;
ENVIRONMENTAL FOOTPRINT MINIMISATION;
PROTECTION OF NATURAL RESOURCES;
STAKEHOLDER ENGAGEMENT



3.3.1. Design

Placing a new garment on the market involves a design process and a manufacturing process. Inspiration and creativity are essential to design. In this regard, we consider that the choice of the different raw materials to manufacture an article and to improve its life cycle, either by providing greater durability or by facilitating its recyclability, has a major bearing on the design process.

Training

Circularity means, particularly during the design phase, designing to reduce waste at every stage of development and extending the life cycle of a product. This enables better supply and choice of materials, promotes the care and repair of the product, and at the same time creates greater opportunities for reuse and recycling.

We have a **training programme** to help our designers further integrate circularity into their daily tasks. This training features different modules:

- Approach to sustainability
- Sustainable raw materials
- Sustainable wet processes
- Traceability tools and corporate systems
- Circular design by garment type

In 2020, we conducted scheduled training to ensure that our designers have been trained in the Principles of the Circular Economy, in line with the commitment we made to the *Global Fashion Agenda*.



In 2020, we have fulfilled our commitment to train all the Group's designers in the Principles of the Circular Economy.



Sustainability is integrated into the very first stages of design of our products.

Article evaluation

The supervision of our articles and compliance with standards is a process that, at Inditex, is tackled from the design phase, since that is when decisions are made such as the choice of raw materials, of critical importance for subsequent stages of manufacturing. In this connection, and to ensure that our items are safe from the outset, we provide our suppliers with in-depth information on the design, the raw materials chosen (fabrics, sewing threads and interlinings) and the accessories (buttons, zips, and appliqués), as well as the manufacturing processes to be employed and the dimensions of cords or drawstrings, if applicable.

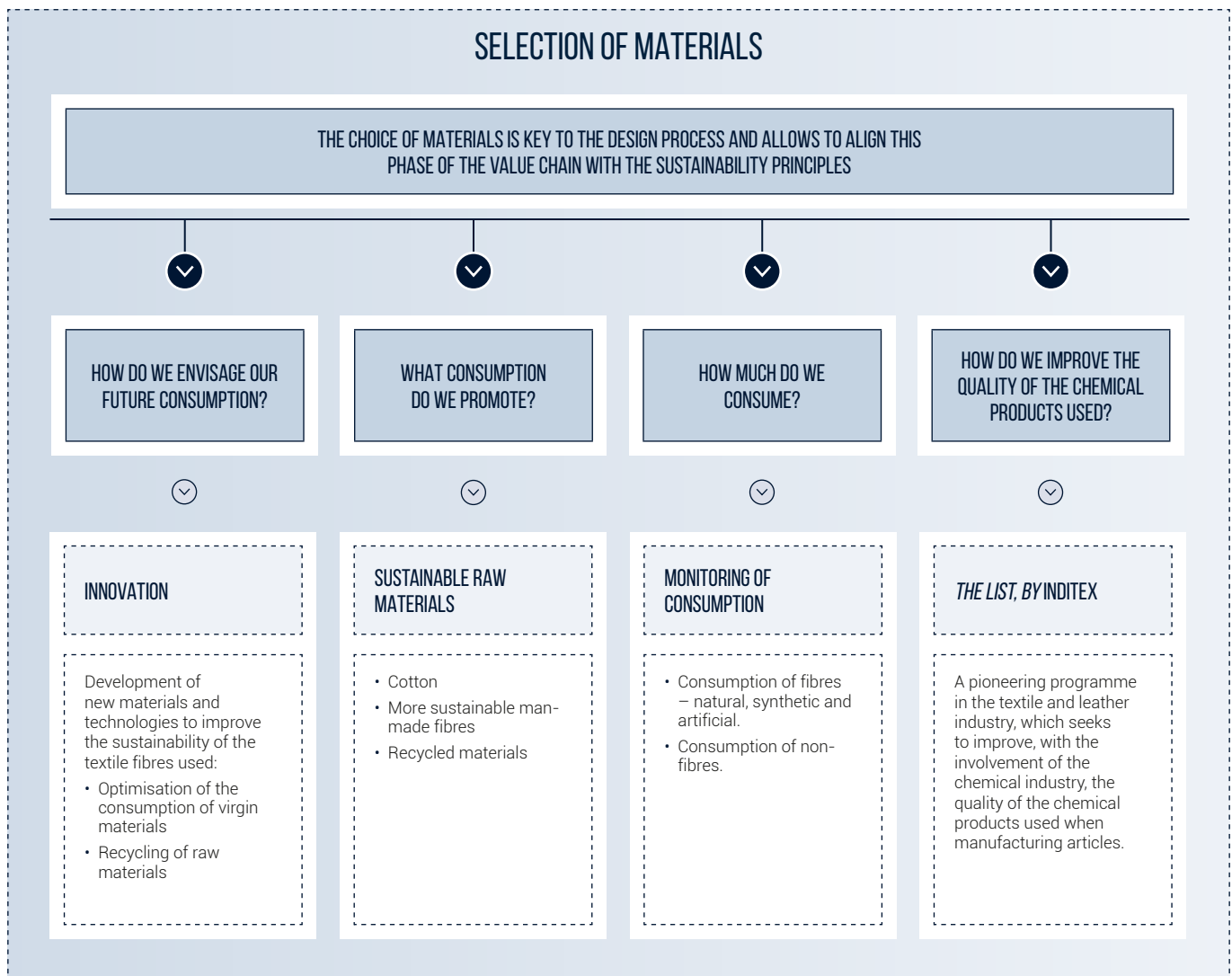
i More information about Health and Safety standards on paragraph 3.3.4. *Health and safety of our products* of this Annual Report.

3.3.2. Selection of materials

The selection of materials is a core element of the design process. In line with the principles of our Sustainability Policy and our Sustainability Roadmap, one of our priorities is to champion the use of more sustainable fibres that have a better environmental performance and involve more efficient consumption of resources.

Furthermore, our Biodiversity Strategy, which is based on the principles of the United Nations Convention on Biological Diversity, and the Forest Product Policy includes our commitment to forest ecosystem and nature conservation. We thus pay special attention to the raw materials we choose to make our products, as these decisions have a direct impact on biodiversity and the use of natural resources.

i More information in the chapter 3.1. *Minimising environmental impact across the value chain* of this Annual Report.



We are committed to ensuring 100% of the cotton, polyester and linen used in our products will be recycled or will come from more sustainable sources by 2025.

Our commitment in this area has enabled us to achieve the following results of tons of sustainable raw materials used for the garments made available for sale, with goals for 2025.

THIS YEAR, WE HAVE CONTINUED TO WORK TO:

Increase the use of sustainable raw materials, such as sustainable cotton and recycled fibres.

Training our supply chain to manage their resources responsibly.

Using sustainable sources in our **wooden furniture** and **paper products**.

RAW MATERIAL	2020 TONS	2019 TONS	2018 TONS	2020-2019 CHANGE (%)	2019-2018 CHANGE (%)
MORE SUSTAINABLE COTTON (ORGANIC, BCI & RECYCLED)	73,874	38,676	18,851	91%	105%
RECYCLED POLYESTER	9,594	5,332	1,881	80%	183%
SUSTAINABLE LINEN	1,245	1,813	266	-31%	581%
VISCOSE AND OTHER MORE SUSTAINABLE CELLULOSE FIBRES	8,379	6,692	3,178	25%	111%

The consumption of more sustainable raw materials represents 21% of the total consumption of raw materials in 2020.



a) Innovation

In order to advance in the fulfillment of the goals set, during 2020 we have continued to foster innovation in the development of new materials and technologies to improve the sustainability of the textile fibres used, focusing both on optimising the consumption of virgin materials and their subsequent recycling.

This year we have continued to promote various lines of collaboration, both with renowned academic institutions, as well as with local and international organisations, in the interest of advancing the sustainable development of the materials we use in our value chain.



Sustainability Innovation Hub

Innovation is present from the very first moment our products are conceptualised, with special emphasis on the search for and continuous development of new raw materials and more sustainable fibres. In this respect, we have launched the Sustainable Innovation Hub initiative, which consists of an open innovation platform based on collaborative technological monitoring with the following key strategic areas:

- Raw material circularity
- Improving availability of sustainable raw materials
- Raw material traceability
- Renewable origin

- Development of new technologies and more sustainable materials that minimise the needs for water, energy and use of chemical products

This platform will allow us to select those initiatives of sufficient technological maturity to evaluate their effectiveness through pilot tests, in order to apply successful outcomes to the commercial phase and to the industry in general.

The platform was created to drive major relevant impacts on the Group's strategy on raw materials and/or circularity, assuming that it is required to comply with our sustainability commitments.



CIRCULAR CARBON

The purpose of the project, which is also based on the Sustainability Innovation Hub initiative, is to transform carbon emissions or different sources of carbon feedstock into a resource for the production of new fibres to be used in textile. The pressing aspect of climate change means it is vital to use new technologies in order to capture carbon emissions from industrial facilities, and syngas generated from any biomass resource (e.g. urban solid waste (USW)), organic industrial waste, agricultural waste and textile waste.

This initiative offers an opportunity to convert emissions into fibre, with a reduced carbon footprint thanks to the use of an alternative to fossil sources and directly participating in capturing emissions. The fibres researched are synthetic fibres such as PET and acetate fibres.

b) Sustainable raw materials

Cotton

Cotton is the most common raw material used to produce our garments. For this reason, we have decidedly committed to organically grown cotton, enabling us to improve our environmental performance, since it is grown with more sustainable practices and solely use non GMO (genetically modified organisms) seeds.

Our commitment is summarised as a collaboration with the most relevant international initiatives that foster the

sustainability of the cotton sector. Thus, we are members of the Textile Exchange, we partner with the Better Cotton Initiative (BCI) and we are one of the founders of the Organic Cotton Accelerator (OCA) initiative. Since 2017, we have also held a public-private partnership with the International Labour Organization to improve the working conditions of workers in the cotton supply chain.

More information in paragraph 2.7.7. Protection of labour rights in the production of raw materials of this Annual Report.



Our goal: 100% sustainable cotton (organic, Better Cotton Initiative and recycled) in 2025.

FEATURED INITIATIVES



ORGANIC COTTON

Organic cotton is premised on the optimal use of natural resources, without using synthetic chemicals or genetically modified organisms (GMOs) and only uses natural fertilizers and pesticides. Using this type of cotton increases biodiversity and enables more fertile soils for future generations.

As members of the Textile Exchange, we partner with this independent and non-profit organisation, that is an international benchmark in the sector. It is a platform to promote the growing of organic cotton, and global sustainability within the textile sector.

Our goal: to promote organic cotton based on its environmental virtues, reaching the source of the fibre in our supply chain, and strengthening and guaranteeing its traceability through to our garments.

2025 SUSTAINABLE COTTON CHALLENGE

In line with the goal of all the cotton we use in manufacturing our products coming from more sustainable sources by 2025, we have joined the Textile Exchange foundation's 2025 Sustainable Cotton Challenge.

BETTER COTTON INITIATIVE

We partner with the Better Cotton Initiative (BCI), which shares our holistic (environmental and social) approach to sustainability and through which we seek to foster a more sustainable cotton supply chain. This initiative develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector.

Within BCI, we are members of the Chain of Custody Advisory Group, a task force involved in driving chronological documentation and evidence tracing in order to track the movement of products throughout the supply chain. This guarantees that the BCI volume sought by retailers and members of the BCI brand does not exceed the volume produced by licensed farmers within a specific period.



INVESTMENT COMMITTEE OF THE ORGANIC COTTON ACCELERATOR (OCA)

We are one of the founding members of *Organic Cotton Accelerator (OCA)*, a multi-sectorial initiative that supports organic cotton producers to ensure the sustainable growth of the industry and that all players are benefited, from the grower to the end consumer.

In spite of the exceptional situation in 2020, we have increased the number of farmers involved in the different FED (Farmer Engagement and Development) Programme projects by 57%, reaching the direct collaboration figure of more than 9,300 small farmers. This collaboration and training initiatives on organic practices help preserve local biodiversity and encourage soil enrichment, eliminate pesticides and synthetic chemical fertilizers, and prevent the use of genetically modified seeds. Part of the goal of Inditex's approach is to promote the organic cotton sector, which currently accounts for less than 1% of global cotton production, and which can result in significant benefits such as:

- Increased organic matter of soil, due to organic pesticides and fertilizers, a higher diversity of seeds, as well as the rotation of crops that encourage organic practices.
- Improved water quality, with cleaner aquifers for farmers and their communities.
- Improved animal welfare, due to water and food that is free of synthetic elements. Furthermore, also noteworthy is the relevance of livestock as a generator of inputs necessary for organic practices.
- Greater economic stability and equity for farmers and their families.

This initiative has been propagated within the Group and various brands are participating in the project, producing their items using this raw material.

More sustainable man-made fibres

Our commitment to forest protection is inseparable from our endeavours to guarantee the sustainability of our products and our business.

Lyocell, viscose and modal are classed among a group of fibres obtained from cellulose pulp from certain trees. In 2020, we subscribed a new commitment with CanopyStyle on the Next Generation of Viscose. Consequently, Inditex will only work with the best cellulose fibres (viscose, modal, lyocell) manufacturers that correspond to producers classified as "green shirts" in CanopyStyle's *Hot Button Report*. These manufacturers prove that their fibres do not pose a supply risk to primary or threatened forests.

In this regard, we have made a commitment, guaranteeing that, from 2020, all our cellulose fibres will come from sources that do not pose a risk to the planet's primary and threatened forests.

At present, over 300 brands are adhered to this initiative, thanks to which we have made the following achievements in 2020:

- 90% of the world's fibre production comes from manufacturers who are committed to eliminating the supply of materials from primary and protected forests and to advance in innovative solutions that reduce pressure on forests (89% and 72% of production in 2019 and 2018, respectively).
- 72% of the world's production comes from manufacturers who have completed the audit process (65% and 52% of the world's production in 2019 and 2018, respectively).
- 52% of the world's production is free from the risk of being supplied from primary and endangered forests (42% and 28% of the world's production in 2019 and 2018, respectively).

 **EXTERNAL RECOGNITIONS**

According to the study *Dirty Fashion: Crunch time* prepared by the *Changing Markets Foundation*, Inditex is included, for the third year in a row, in the frontrunner category in the retail industry thanks to its strong support of production and sale of responsible viscose. The latest release of this report, published in December 2020, assesses responsible production plans, commitments and progress in the transparency of 100 brands and retailers (91 in 2019) and the most relevant viscose manufacturers and initiatives, showing the point at which the world textile industry is in the transition to responsible viscose.



In 2023, 100% of the cellulose fibres we use will be more sustainable, supporting the responsible viscose commitment by the Changing Markets organisation in its Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing.

Recycled materials

The production of recycled fabrics is more efficient in terms of consumption, since it requires less water, energy and natural resources than the production of new fibres, resulting in a reduced environmental impact.

As stated by Textile Exchange, recycling polyester and polyamide curtails the consumption of natural resources, since it is not necessary to extract oil to manufacture them, water consumption in obtaining them is low and a reduced amount of waste ends up in landfill.

The urge to incorporate recycled materials into our collections is reflected in their increased use.



During 2020, we have launched into the market articles made with a total of 14,413 tons of recycled materials, which means an increase in the use of these materials of 90% over 2019.

Consumption of raw materials

In the context of the global consumption of raw materials, we have consumed hundreds of different types of raw materials during 2020. For information purposes, all these raw materials have been grouped, according to their origin, into two main categories: fibres and non-fibres.

PERCENTAGE OF RAW MATERIALS TOTAL CONSUMPTION

	2020	2019	2018
FIBRES	88%	89%	88%
NON-FIBRES	12%	11%	12%

Furthermore, the fibres category has been subdivided into three groups: natural fibres⁽¹⁾, synthetic fibres⁽²⁾ and lastly, man-made fibres⁽³⁾, the weight of which in terms of consumption has been as follows in 2020:

PERCENTAGE OF TOTAL FIBRE CONSUMPTION

	2020	2019	2018
FIBRES			
NATURAL	52%	50%	49%
SYNTHETIC	38%	38%	39%
MAN-MADE	10%	12%	12%
TOTAL	100%	100%	100%

The "non-fibres" category includes many different raw materials from natural (vegetable, animal and mineral) and man-made sources, with scarcely any relative importance in the Group's overall consumption, thus, there is no individual breakdown.

(1) Natural fibres are natural filaments that can be threaded to obtain strands, threads or twine.
 (2) Synthetic fibres are made of polymers that are not naturally produced, but fully created in a chemical plant or a laboratory, almost always using petroleum or natural gas by-products.
 (3) Man-made fibres are made using a natural component as a raw material that undergoes a number of processes in a chemical plant or a laboratory.

c) Raw material control

Once the raw material has been chosen, we verify – from the sourcing stage (in fabrics, leather, piping and appliqués, among others) – their compliance with our product health and safety standards. The dyeing, printing, and finishing are also verified.

In order to ensure the thorough inspection of the product in the initial phases of its cycle, we supplement the control of our Picking Programme with a network of internal control laboratories that conduct testing pursuant to the most-demanding international standards. These laboratories, thus, become an effective instrument to foresee possible breaches of our product health and safety standards – *Clear to Wear* and *Safe to Wear*.

We currently have an internal analytical structure with six laboratories and with the necessary technology to be able to analyse up to 18 substances and parameters regulated under the *Clear to Wear* and *Safe to Wear* standards. At these facilities we are also tasked with overseeing the conformity of fabrics with our standards' health, safety, and quality parameters.

 More information in paragraph 3.3.4. *Health and safety of our products* of this Annual Report.

The List, by Inditex

In 2013, we designed and implemented *The List by Inditex*, a pioneering programme in the textile and leather industry, which seeks to improve, with the involvement of the chemical industry, the quality of the chemical products used when manufacturing items.

The List, by Inditex ensures compliance with the chemical restrictions covered under the product health standard *Clear to Wear* and the commitment of Inditex to achieve the Zero Discharge of Hazardous Chemicals (also known as Zero Discharge or the ZDHC Commitment).

By conducting a thorough assessment of the manufacturers and the chemical substances they use, *The List, by Inditex* classifies the chemical products pursuant to their degree of compliance with the *Clear to Wear* standard and the Zero Discharge commitment.

 More information in paragraph 3.4. *Sustainable management of the supply chain* of this Annual Report.

Likewise, work is also done to perfect the existing production processes, as this has a direct impact on the improvement of chemical products. Where such an improvement cannot be achieved, R+D programmes are defined to create new chemical products, alternative to the existing ones.

In 2020 we made progress in **exploratory studies to add new substances not included in previous editions of *The List, by Inditex*** in the interests of broadening the scope of the programme **in response to our commitments in the Strategic Environmental Plan**. At present, the **IV edition of *The List by Inditex***, published in **2019, and regulating 23,373 chemical products, remains in force**.

We are currently working toward the convergence of the textile industry by partnering with other renowned international brands, retailers, and bodies. In this context, it is worth highlighting our partnership with the ZDHC Foundation, through the publication of the IV edition of *The List, by Inditex* on its platform (*ZDHC Gateway*). Accordingly, the project's visibility has now increased, since the ZDHC is a global platform to improve the management of chemical products in the facilities and afford greater transparency in the industry. At the same time, it has implied the ZDHC foundation's recognition of *The List, by Inditex* as the most stringent degree of compliance with ZDHC MRSL (level 3) limits, for the 3 certification categories included in *The List, by Inditex* (baby, direct contact with skin and all uses).

It is also worth highlighting the design and carrying out of application studies that reveal the relationship between content of restricted substances in chemical products and the content after its industrial application. These studies are vital to understanding the risks associated with the chemical product, as well as the manufacturing processes in which they are used, which boosts progress in their classification within our programme and strengthens our environmental commitment.

In parallel, following the same principles and methodology, *The List, by Inditex* has been developed for adhesives used in the footwear industry, premised on characterising products (adhesives and products related to their application) mainly used in this industry, which has approved the product portfolio of the two leading manufacturers of adhesive products for the footwear industry.

The List adhesives in 2020

- Three new applications to be included in the programme.
- 3 audits and 4,940 analyses have been conducted, making it possible to classify 199 chemical products belonging to two manufacturers.

 The Appendices of this Annual Report contains additional information on the indicators of the various editions of The List.



Research on chemical safety

We collaborate in the development of pioneering research programmes, unprecedented in the sector, aimed to increase the knowledge about chemicals used throughout the supply chain and to improve the chemical safety assessment. Specifically, we innovate on the lines of data mining, chemical security measurements (In Vivo, In Vitro and In Silico) and standardisation, and we support scientific research in the area.

In this connection, in partnership with *Universitat Pompeu-Fabra* and the University of Santiago de Compostela, we

have collaborated in the development of computational methods and tools to characterise chemical security in the chemicals used in the textile and leather industry. This project has involved building a database to facilitate access to the available information, a high-performance protocol to generate new experimental information and a predictive computational model to characterise the risk of different chemicals. The focus is to facilitate access to chemical safety information and obtain reliable estimates for chemicals for which information is not available, as well as to facilitate the replacement of chemicals with potentially harmful effects.

3.3.3. Join Life programme

Our *Join Life* label identifies the Group's garments made of the most sustainable raw materials and the most environmentally friendly production processes.

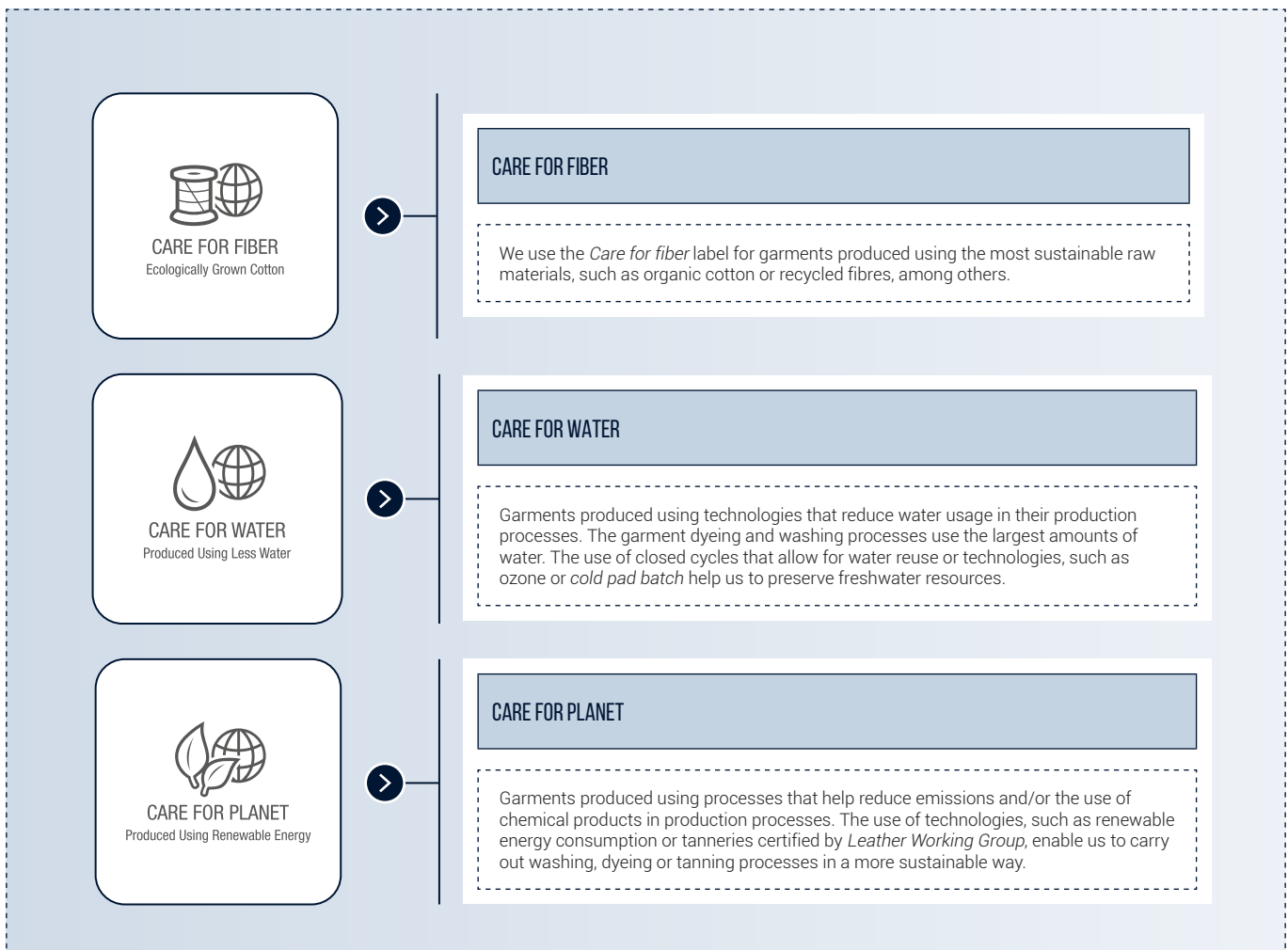
At Inditex, we strive to make our raw materials more environmentally friendly, using recycled materials and materials that are produced more sustainably. Under our *Join Life* standard, we classify all garments that have been produced using processes and raw materials that help us to curb our impact, such as organic cotton, man-made cellulose fibres and recycled polyester. What is more, this standard is based on the Life Cycle Analysis (LCA) methodology for assessing the environmental and social impact of the textile sector. This year, we have reviewed and improved the standard, making it more demanding, and more flexible labelling options have been provided; for instance, the combination of several more sustainable raw materials in a single product, the combination of different types of sustainable filling, and garments designed using different defective models (*Remade*).



In 2020, we went beyond our commitment to reach 25% of garments placed on the market under the Join Life standard, manufacturing 38% of units under this label.

All our *Join Life* garments are produced by suppliers classified with the best rankings (A or B) or those with a firm commitment to improvement by conducting a Corrective Action Plan, both on a social and an environmental level. They use raw materials and production processes that curb the environmental impact, fulfilling at least one of the following three requirements:

i More information about our assessment processes and Corrective Action Plans in the chapter 3.4. *Sustainable management of the supply chain* of this Annual Report.



In an ongoing monitoring process on the evolution of raw material standards, in 2020, we included *Join Life* feather/down (RDS), *Join Life* wool (RWS) and – particularly relevant for its ongoing evolution – the latest sustainable options of viscose, among others.

Since 2012, we have been members of the LWG (*Leather Working Group*), the leather industry's benchmark for the control of chemicals, effluents, traceability, animal care and transparency with regard to the supply chain of this material. We encourage our leather providers to join the LWG in all its categories, and more strictly, only those

members with the highest scores may be part of our *Join Life* programme. In 2020, we joined this association's Executive Committee in order to continue to work towards identifying and sharing the best practices in the leather industry, and to improving environmental performance and impact reduction.

Inditex is updating its *Join Life* initiative in relation to non-textile products. The procedure for Zara Home has been amended, with standard materials that can be used in its products to make them *Join Life* (ceramic, glass, or wood, among others).

FEATURED INITIATIVES

TRAINING

During 2020, we have prepared training material on more sustainable raw materials, wet processes and tools to continue training our buyers, suppliers and brands. This training has been given to Zara's buyers, designers and other profiles, and also to various heads of *Join Life* in the brands in order to continue to train their teams throughout the year; i.e. a total of 2,016 employees. Training has also been given in local offices to a total of 200 employees, to enable them, in turn, to train suppliers.

SUSTAINABLE PRODUCT GUIDE

A sustainable product guide has been provided to buyers and suppliers using our internal information tool. This guide provides knowledge to stakeholders ranging from our social strategy to the classification of raw materials and wet processes. Furthermore, a *Join Life* manual has been developed for suppliers.

COMMERCIAL INITIATIVES

In 2020, we carried out a number of commercial initiatives where the design of collections was based on the selection of especially sustainable materials:

BRAND	COMMERCIAL INITIATIVE	LINE	ACTIONS
BERSHKA	Hack Denim I and II	A unique garment	Fully manufactured using old stock items. <i>Join Life RE-MADE</i> labelling.
	B3 Collection	Timeless and unisex line with high quality garments	Made from 100% organic cotton. Water consumption reduction technologies. <i>Care for Fiber</i> and <i>Care for Water</i> labelling.
OYSHO	Join Life – Summer Collection	Swimsuits, trikinis and bikinis	Garments composed of recycled materials. Recycled polyamide, carpets or production samples. And recycled polyester produced from recycling used plastic bottles.
ZARA	Kids Perfume Join Life Cosmetics	Line comprising five unisex fragrances	50% bioalcohol from organic crops. 100% recyclable bottle. <i>Packaging</i> comprising 100% recycled FSC certified paper and 30% recovered glass.
ZARA HOME	Join Life Objects	Cutlery and crockery	Stainless steel cutlery and stoneware crockery, produced by renewable energy and low emission technologies. Recycled glass.
PULL&BEAR	Join Life Collection circularity project: Story of a shirt	Shirt	<i>Care for Fiber</i> labelling: at least 50% recycled cotton. An example of black fibre obtained by shredding other unusable garments. This fibre does not need dyeing. A second life for a thread that could have ended up in a landfill, and thus new garments are created. Interior alarms and cardboard have been reused. Employment created for waste management in a Special Employment Centre.

3.3.4. Health and safety of our products

WHAT DO WE DO AT INDITEX?	CONTENT DEVELOPED	FEATURED INITIATIVES
We established strict requirements on the health and safety of our products.	OUR PRODUCT HEALTH AND SAFETY STANDARDS	<ul style="list-style-type: none"> • Safe to Wear • Clear to Wear • I+Cosmetics • I+FCM • I+Home Fragrance & Candles • I+Child Care Furniture
We conduct various control procedures in the various stages of the supply chain to ensure compliance with the established requirements.	PRODUCT HEALTH AND SAFETY CONTROL PROCEDURES	<ul style="list-style-type: none"> • Picking programme • New evaluation before being distributed • Approval of Laboratories Programme (APPLABS) • Root Cause Analysis • Analysis optimisation • Recovery of non-compliant production
We continually train our employees and we offer technical assistance to our teams to maintain our standards at the cutting edge.	TRAINING AND AWARENESS-RAISING	<ul style="list-style-type: none"> • Training for buying and design teams • Implementing technical assistance on-site to buying and design teams • Cutting the time required to detect potential breaches and providing solutions best suited to the specific type of product.
We innovate to improve the manufacturing technologies and instrumental techniques.	RESEARCH, DEVELOPMENT AND INNOVATION	<ul style="list-style-type: none"> • Creation of a method to determine volatile perfluorinated compounds • Ion chromatography with post-column derivatization • Application of antioxidant lipid products in chromium (VI) prevention • Study of the possibilities of a new methodology to measure the presence of fungicides in leather.



Inditex has in place the most exacting product health and safety standards, which are mandatory and which apply to all the goods⁽⁴⁾ we sell, and are a benchmark for manufacturing practices of all the suppliers across our supply chain. Our product policies ensure that in no case do the articles we market pose a risk to the health or physical safety of our customers.

We uphold our commitments to the Sustainable Development Goals, including to Good Health and Well-being and Responsible Consumption and Production. Our health and safety standards endeavour to guarantee quality and safety of chemical products used in the supply chain and to foster safer alternatives for human health and the environment.



In partnership with technology companies, research centres and international laboratories of reference, we verify the appropriate implementation of our standards using own and innovative programmes that include:

- The analysis of both the goods and the chemical products used in the production thereof.
- Conducting recurrent audits both at the facilities involved in manufacturing the goods, and at the factories that produce the chemical products used to produce our goods.

We are aware that there are various stages and processes in the textile and leather industry that use chemical products to transform the raw material from the earliest stages of production to the final stage of manufacturing. Therefore, our requirement is applicable to the chemical industry, responsible for producing dyes, pigments and ancillary chemicals used in the textile and leather industries under the framework of *The List, by Inditex* programme.

i More information on paragraph 3.3.2. *Selection of materials* section c) *Raw material control* of this Annual Report.

Based on the premise of working towards the excellence of our products, we have a team of scientists and technology experts that monitors any novelties and revisions related to regulations on health and safety. They are also in charge of identifying the chemical substances used in the industry and evaluating every manufacturing process of our products.

(4) With regard to articles outside the scope of the product health and safety standards of Inditex, they are subject to minimum requirements reports especially created pursuant to the statutory requirements which apply to the type of product and the markets where they are sold.





This effort ensures that our articles meet the highest levels of health and safety, regardless of the specific regulations and legislation that may apply in each market.

As a result of this process, we have managed to go beyond the Restricted Substances List, aligning with the uses to which they are applied in the textile industry in the preparation of our product standards. We have provided additional knowledge, which identifies regulated substances and controls manufacturing processes, while at the same time we have proposed the use of alternative technologies to prevent non-conformities. This knowledge becomes a very useful reference for our manufacturers and for the industry as a whole with regard to ensuring health and safety in production.

Our policies are contained in the various internal standards developed in terms of health, safety and environmental sustainability, and encompass a wide variety and classification of articles manufactured and marketed by the Group.

In 2020, we reviewed all the health and safety standards for our products (garments, footwear and accessories, cosmetics, products in contact with food, children's furniture, candles and fragrances), working on updates in response to the new legal requirements and our

commitments to sustainability, therefore increasing their scope to the new product typologies that we market.

Likewise, in order to comply with our environmental commitments, particularly the ZDHC Commitment (Zero Discharge of Hazardous Chemicals), we have our own Manufacturing Restricted Substances List (MRSL). Our MRSL, available on our corporate website and applicable to all manufacturing processes of our products, specifies the chemical substances that are subject to specific restrictions or whose use is prohibited.

In 2020, we worked to align our *Clear to Wear* product health standard with the rest of the textile and leather industry by means of our involvement in the AFIRM group. We firmly believe that these efforts to be aligned will strengthen the identification and elimination of hazardous chemical substances from the chemical industry and from the entire supply chain. Accordingly, we will be able to ensure the same level of requirements and management of chemical substances used in manufacturing at all the facilities in the supply chain regardless of which brand they work for (*Clean Factory Approach*). These new developments and updates to the standard will apply from 2021.

With the information generated in our control programmes and in the processes of updating our standards, we can identify new substances that are used in the textile and leather industry and can continuously evaluate their safety. Thus, if we identify a new substance that has a direct impact on the environment or on health, we integrate it in our product standards.



a) Our product health and safety standards



Safe to Wear

SAFE TO WEAR (STW) IS OUR PRODUCT SAFETY STANDARD, WHICH APPLIES AND IS MANDATORY FOR THE APPAREL, FOOTWEAR, ACCESSORIES, TRIMMINGS AND FABRICS SUPPLIED.

It has been developed in partnership with international experts in children safety, in accordance with the most demanding product safety legislation. In addition to covering the design, the fastening degree of small parts, sharp points and sharp edges in clothing for children, the standard restricts parameters such as flammability in goods for both children and adults.

✓ *Throughout 2020, we have continued working to include changes and new regulations for the next version. Similarly, we have worked on a new, more user-friendly and visual production guide within the process of ongoing training and advice to our suppliers, putting forward the potential risks of the designs, as well as their alternatives and best practices for manufacturing.*

Clear to Wear

CLEAR TO WEAR (CTW) IS OUR PRODUCT HEALTH STANDARD, WHICH APPLIES AND IS MANDATORY FOR THE APPAREL, FOOTWEAR, ACCESSORIES, TRIMMINGS AND FABRICS SUPPLIED.

Clear to Wear has been developed in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding health of the product. In addition to covering parameters and substances whose use is restricted, it limits the use of certain substances not addressed in the prevailing laws and regulations which could be potentially hazardous, and encompasses the provisions of REACH, (European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), being the EU regulation that all our suppliers must observe.

Note that our *Clear to Wear (CtW)* product health standard was broadly redefined in 2019, with a much more ambitious scope to regulate both the substances included in international regulations and those that, despite not being specifically regulated, generate considerable environmental and health concerns. This overhaul of the foundations of our standard resulted in a new line of work in accordance with our Sustainability Roadmap.

In order to update our product health standard and maintain our commitment to maximum responsibility and quality requirements, it is important to assess concepts such as the safety of chemical substances of which chemical products are comprised and the possibility for use over the various stages of production in our supply chain. This assessment is important to ensure that the control programmes focus on hazardous substances and only on those that are effectively used in the textile and leather industry.

Consequently, in designing the CtW 2021, we worked with a team of experts and advisers, on the one hand to evaluate the available knowledge in toxicity databases and, on the other hand, to confirm whether these substances are actually used in the textile and leather industry.

- ✓ *In 2020, we examined more than 1,800 substances particularly subject to environmental and human health concerns; and we assessed their potential use in the different stages of manufacturing in the textile and leather industry. These actions are geared towards guaranteeing our commitment within the Strategic Environmental Plan and commitment to our customers.*

I+Cosmetics

I+COSMETICS IS OUR PRODUCT HEALTH STANDARD, WHICH APPLIES AND IS MANDATORY FOR ALL OUR COSMETIC PRODUCTS.

This standard has been developed in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding health of the product in the cosmetics sector. In addition to regulating parameters and substances of legally limited use, it limits the maximum level of impurities allowed in starting materials.

- ✓ *A new updated version was implemented in 2020, including regulatory developments in cosmetics and updating the first edition released in 2017.*

I+FCM

I+FCM IS THE PRODUCT HEALTH STANDARD, WHICH IS MANDATORY FOR ALL THE PRODUCTS DESIGNED TO BE IN CONTACT WITH FOOD.

It has been prepared in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding food safety. In addition to regulating parameters and substances of legally limited use for all types of materials used in goods in contact with food (plastic, crockery, glass, metal, paper, or wood, among others), it restricts the transmission, in ordinary or foreseeable use conditions, of chemicals comprising the goods to the food they are in contact with.

- ✓ *Following the consolidation of the implementation of its first release, the standard was updated with a second edition in 2020, including regulatory developments in this field.*

i+Home Fragrances & Candles

I+HOME FRAGRANCE & CANDLES IS OUR PRODUCT HEALTH AND SAFETY STANDARD THAT IS APPLICABLE TO CANDLES, INCENSE AND OTHER AMBIANCE PRODUCTS FOR THE HOME. IT REGULATES HEALTH PARAMETERS AND SUBSTANCES WHOSE USE IS LEGALLY LIMITED.

As with all other standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health.

- ✓ *The first release, designed in 2019, was consolidated in 2020 and work remains ongoing on possible updates to this standard for the coming release.*

I+Child Care Furniture

I+CHILD CARE FURNITURE IS THE INDITEX PRODUCT HEALTH AND SAFETY STANDARD THAT IS APPLICABLE TO CHILDCARE ARTICLES SUCH AS CHANGING TABLES, HIGH CHAIRS AND CRIBS. IT REGULATES HEALTH PARAMETERS AND SUBSTANCES WHOSE USE IS LEGALLY LIMITED.

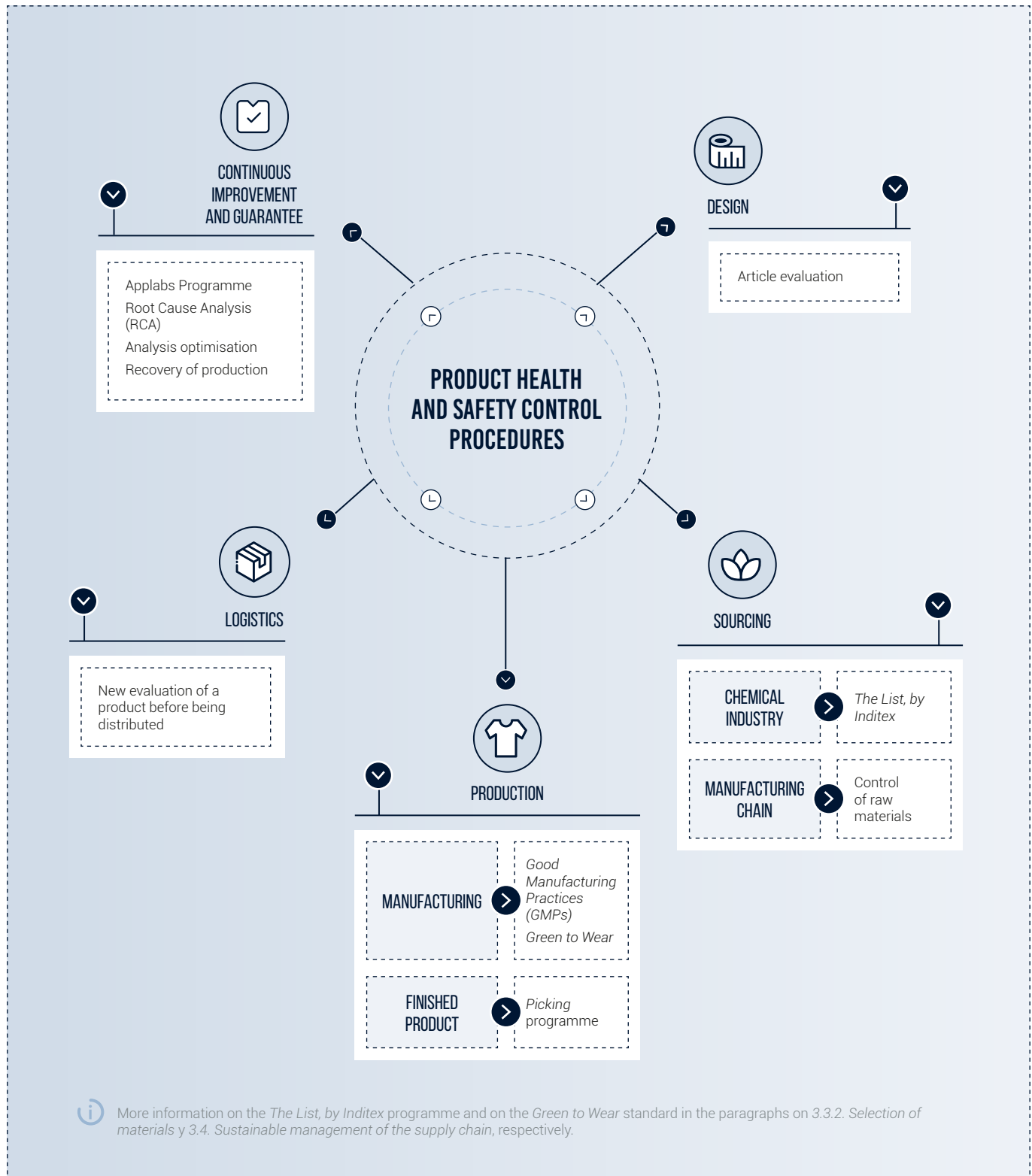
As with all other standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health.

- ✓ *The first release, which has already been published in 2019, was consolidated in 2020 and work remains ongoing on possible updates to this standard for the coming release.*

b) Product health and safety control procedures

Inditex's collections are present in over 200 markets. To ensure that all our products comply with the most demanding standards of health, safety and environmental sustainability, we have developed a comprehensive control

and improvement programme that covers all production phases and with which compliance is mandatory for our entire supply chain.



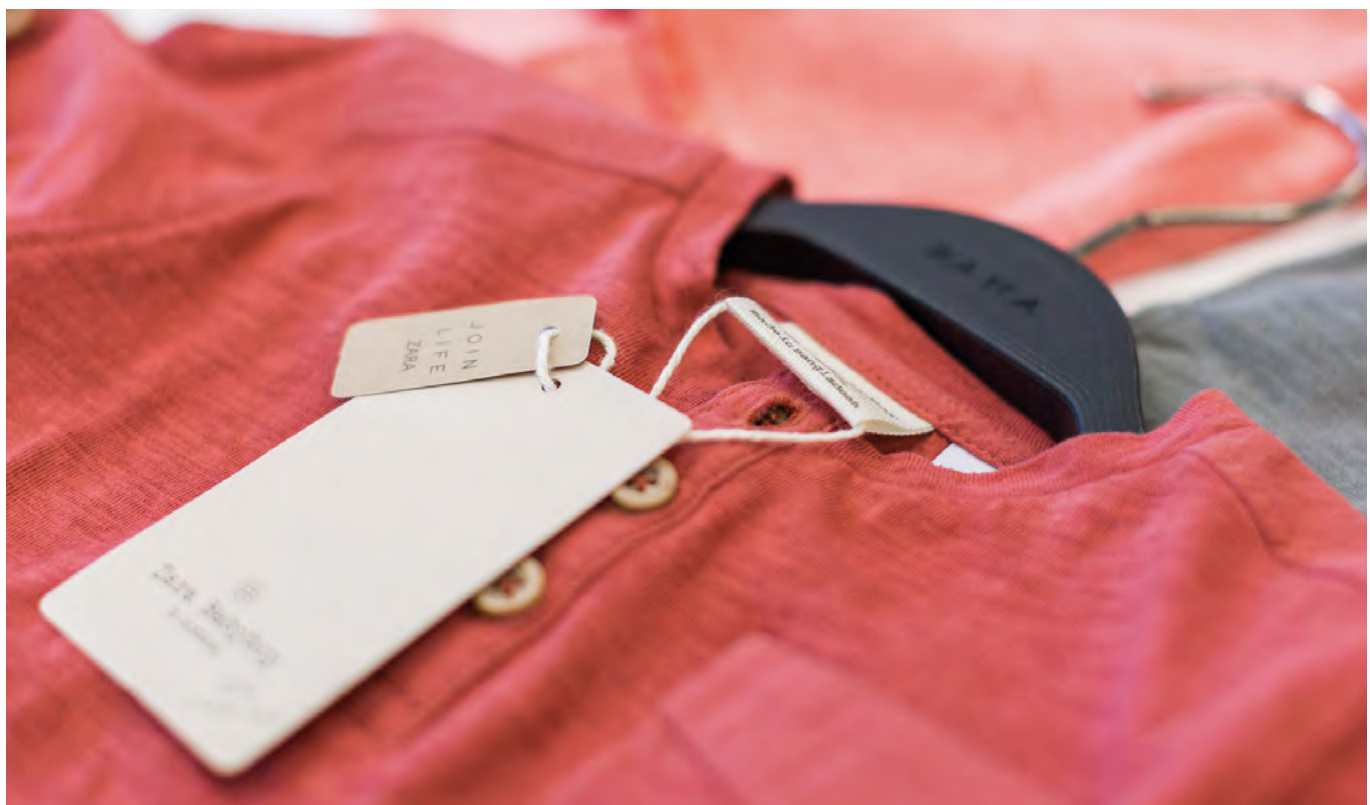
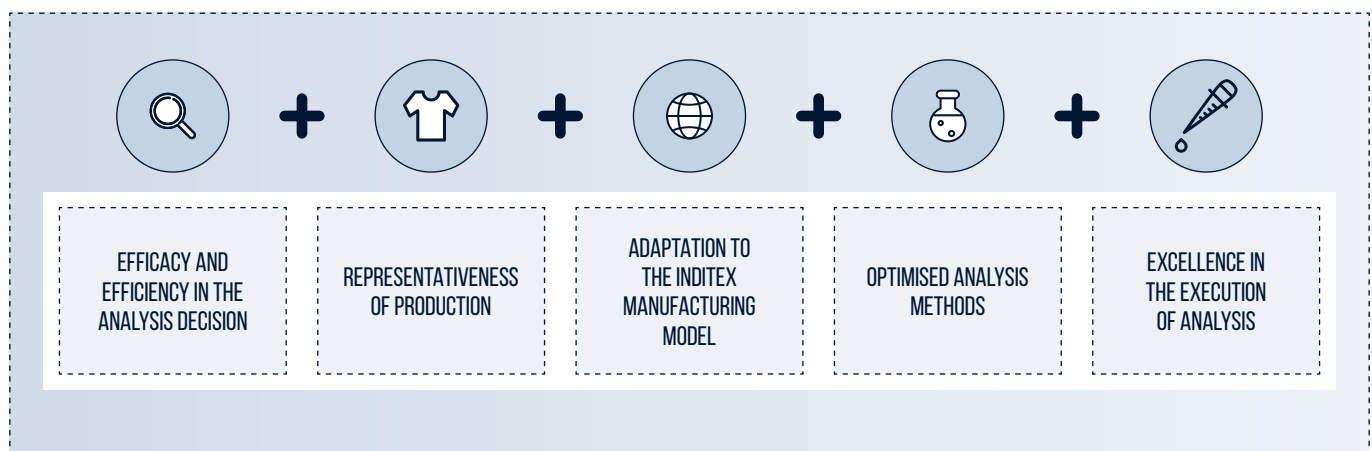
Good Manufacturing Practices

As part of the process to ensure the quality of our products, and to guarantee their proper manufacturing, at Inditex, we have created a procedure for verifying compliance with Good Manufacturing Practices (GMP) in cosmetic products and food contact materials. The purpose of this procedure is to define and control the various activities that must be carried out at each phase of production so as to obtain a product that complies both with our own exacting product health and safety standards and the characteristics defined for each article.

Picking programme

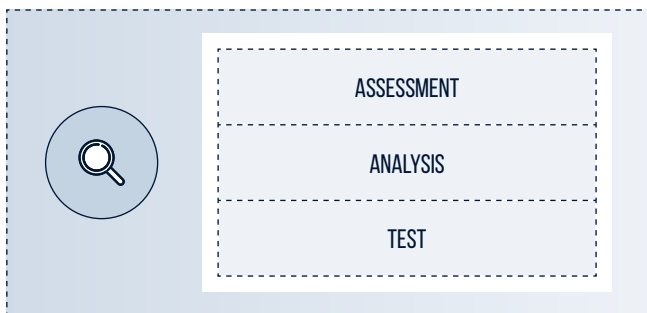
In 2011, we designed and implemented, *Picking*, a control and analysis programme which seeks the effective identification of non-conformities in articles, with the involvement of scientific and technological advisers and the support of benchmark international suppliers of analytical services.

Specifically, *Picking* is our benchmark instrument because it is constantly adapting to our production and logistics model. It thus guarantees that all the articles we market comply with our product health and safety standards.



Due to the global covid-19 pandemic, in the first quarter of 2020 we changed the *Picking* programme to the "*Picking by Supplier*" programme in those manufacturing countries affected by the coronavirus. Under this programme, we deliver precise instructions to manufacturing facilities for taking representative samples of production and shipping them to the *Picking* support laboratories. The aim was to avoid the spread of the virus and guarantee the health of workers at our supply chain and that of the health and safety teams, without compromising the standards of the control process. Thanks to this adaptation of the control programme, we managed to ensure the stringency of the *Picking* process in the established time frames and with no impact on the supply chain. This was a one-off and transitory measure in the manufacturing countries in a critical situation during the pandemic until they improved and, as soon as the safety of the service was guaranteed, the usual *Picking* programme was reactivated.

Design and manufacturing stage



In the design stage, units of experts on product health and safety of each one of our brands assess the risk of articles.

In the **manufacturing phase**, external inspectors **take representative samples of the on-site production**, at the facilities, of all risk articles, on which laboratories **perform analyses and tests**.

A detailed evaluation of such inspected samples determines whether the product is approved, rejected, or requires recovery processes to be compliant with Inditex standards.



A total of 42,856⁽⁵⁾ inspections have been carried out in 2020, with the performance of 744,404 analysis and tests.



Degree of initial compliance by geographical area in relation to the manufacture of our products is included in the chapter of Appendices of this Annual Report.

The laboratories that provide support for the programme, distributed in different geographic clusters of suppliers, are relevant players in the *Picking* programme. Their work is therefore standardised, using innovative and optimised analytical methods that are subject to strict follow-up on the quality of their results and on the service they provide.

MINILABS

Having control instruments that quickly and accurately establish the conformity with our standards is a constant challenge for Inditex. Therefore and to supplement the *Picking* Programme, we have implemented so-called **Minilabs**, portable laboratories the size of a carry-on luggage case, which allow conducting screening tests of six substances and parameters regulated in the *Clear to Wear* standard at any given time.

Thanks to the *Minilabs*, we conduct testing at the factories themselves, thereby improving the efficiency of our control systems.



In 2020, a total of 2,671 *Picking* inspections were performed with Minilabs, which involved 27,431 analyses and screening tests⁽⁶⁾.

(5) The number of inspections and analyses have decreased significantly due to the impact of the pandemic on the closure of certain manufacturing countries, and is not due to a change in the risk assessment strategy. In 2019 56,352 inspections and 899,046 analyses were performed, and in 2018 63,420 inspections and 933,980 analyses.

(6) 2,977 inspections and 36,929 screening tests and analyses carried out in 2019; 1,276 inspections and 17,212 analyses and tests in 2018.

In addition to this and in order to increase the coverage of this system, we want to expand the scope to all manufacturing countries, as well as increase the number of substances and parameters. It is currently being implemented at the production points in Portugal, Spain, Pakistan, Morocco, Turkey, Bangladesh and Cambodia.

This development enables us to fast-track decision-making linked to the *Picking* programme, such as the possibility to recover and salvage affected production before it is completed. This also generates a major benefit in sustainability by minimising energy and water consumption. Another important aspect of this process is to raise supplier awareness, given that the analyses are always conducted in their presence and at their own facilities.

In 2020, work was ongoing on new screening methodologies to be included in the mini-lab, such as for example a method for determination of extractable nickel and a method for determining rub-through fastness in leather.

New evaluation of a product before being distributed

With the design and production concluded, all items are sent from manufacturing countries to our distribution centres. This is when our health and safety technicians evaluate the products physically, supervise the results of all the analyses performed and conduct product safety inspections, especially on small parts, cords and drawstrings.

In addition, we conduct random verification analyses of the productions we receive at distribution centres, for which we also use our internal laboratories and the analytical support network of the *Picking* Programme.

If design modifications or incidents in the initial risk evaluation of the production are detected, then any additional analyses and corrections that are needed are performed at that time to guarantee compliance with Inditex's standards.

Approval of Laboratories Programme (APPLABS)

To establish whether a production complies with our standards, in Inditex we rely on testing by external analysis laboratories of our analytical network. Given the production model and the strict limits of our standards, we seek precision and maximum accuracy from the various laboratories. The purpose of analysing reference samples for correlation is to monitor laboratory practices with respect to our standards.

Confidence in these laboratories is cemented in an external laboratory approval programme called *Applabs*. It was designed and developed together with the University of Santiago de Compostela and has several stages:





Conducting on-site **audits** that verify, among other aspects, the **technical competency of the laboratory's personnel and their diligence with the analyses**.



Monitoring of the results of each laboratory by comparing them. Those whose **results deviate from the quality levels** we demand undergo **corrective actions and, if they fail to comply, the proper actions are taken**.



The creation of mixed **technical committees** for discussing matters such as the detected problems, any optimisation actions or the **introduction of new analysis methods**, among others.

Overall, a total of 20 on-site audits of external laboratories were conducted, in addition to 32 correlation exercises, which involved analysing 6,915 samples (13 audits, 30 correlation exercises and analyses of 7,763 samples in

2019; 9 audits, 17 correlation exercises and analyses of 8,565 samples in 2018). The aim is to continue increasing the scope to be able to audit all the laboratories we work with.

In 2020, the external laboratory audit process was outsourced to a multinational expert audit company with staff in most of our production clusters. For the process, we designed a specific audit procedure to inspect the most critical in-laboratory processes, and the auditors received training for its proper execution. This has generated a significant increase in the number of external laboratories inspected and it is therefore expected that in the next year the list of approved laboratories will expand.

Likewise, in 2020 the number of cross-comparison samples for new substances and parameters in the *Clear to Wear* programme increased, correlating, among other substances, organochlorinated compounds, organotin compounds, perfluorocarbon compounds (PFCs) or heavy metals like chromium.



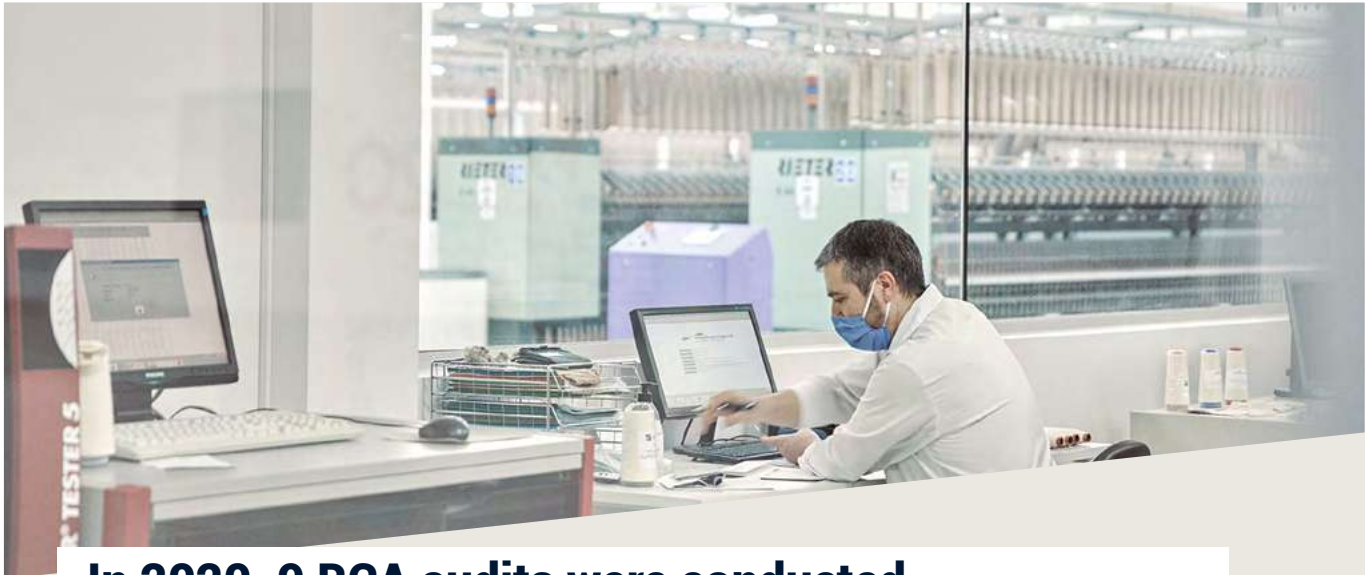
Root Cause Analysis (RCA)

Whenever an article does not comply with *Clear to Wear* requirements, Inditex conducts a *Root Cause Analysis* (RCA) to understand what has happened and to study new improvement strategies.

In such RCAs, textile or leather experts evaluate the facilities (dyeing mills, washing mills, printing mills and tanneries)

that are involved in manufacturing the affected article to determine that origin of the problem. Once it has been identified, a Corrective Action Plan (CAP) is determined for the factory in order to avoid future incidents.

This information allows us to enrich and provide feedback to our *Green to Wear* and *The List, by Inditex* programmes, thereby ensuring the ongoing improvement of those programmes.



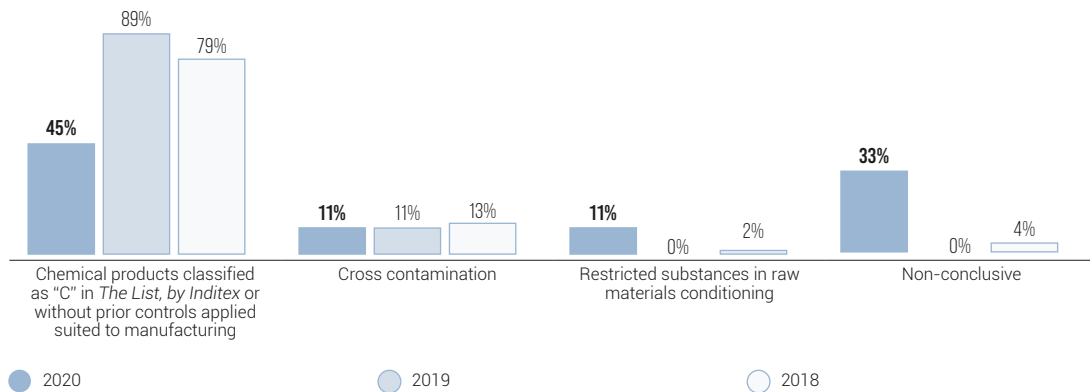
In 2020, 9 RCA audits were conducted

The results showed that in 45% of the cases, the supplier, in their manufacturing, had used chemical products not permitted (classified as C) by *The List, by Inditex* and/or had not applied adequate controls to these products prior to manufacturing. The cross-contamination between different productions that did not follow adequate

manufacturing conditions caused the 11% of detected non-conformities.

The presence of restricted substances originating from the raw materials conditioning stages was the cause of 11% of non-conformities. Lastly, in the remaining 33% of the audits, the results were inconclusive.

EVOLUTION OF NON-CONFORMITIES DETECTED





Through RDI activities, we continue to make progress toward healthy, safe and sustainable products.

Analysis optimisation

Within the framework of *Picking*, Inditex is collaborating with specialised researchers in the textile industry on the development of prediction tools for manufacturing technologies with a greater risk of generating non-conformities.

Thus, and in accordance with a continuous updating and improvement process, we can compare conformity with standards in a greater number of references and with a fewer number of analyses. All without varying the commitment to and maximum responsibility for the health and safety aspects of our products.

Recovery of non-compliant production

In order to be able to reduce productions that are discarded due to non-conformities with our standards, we work with our scientific and technology partners on recovering productions by eliminating the substances that are the causes of non-conformities. Due to this collaboration, we have implemented production recovery protocols for cases in which substances such as arylamines, phenols, formaldehyde and phthalates are present, as well as protocols correcting pH in excess or deficiency.

In 2020, the re-operation protocols were broadened with satisfactory results for organochlorinated compounds and heavy metals like chromium (VI) and extractable copper.

c) Training and awareness-raising

The Group relies on scientific teams and technology experts who identify regulatory developments, construe the restrictions thereof, select analytical methodologies and carry out in partnership with the chemical industry, a thorough evaluation of chemical products and manufacturing processes where non-conformities might appear.

As part of this careful process, the design of our standards goes beyond the limitations of a classic Restricted Substances List (RSL), bringing in additional expertise that allows us first to identify hazardous chemicals and manufacturing processes and secondly, to propose alternative products or manufacturing technologies to avoid non-conformities. This information is very helpful for our manufacturers and is a key strategic element of the training and information actions across our supply chain.

Thus, we regularly give training on specific and relevant elements of the health and safety standards addressed to technical and managerial staff of suppliers. In 2020, experts on product health and safety from our Sustainability Department provided training and gave technical advice in the main manufacturing clusters: Portugal, Morocco, Turkey, China, Bangladesh, India and Pakistan.

At the same time, regarding awareness-raising among internal design and buying teams, we have reinforced the department of product health and safety across all our brands for the purposes of:

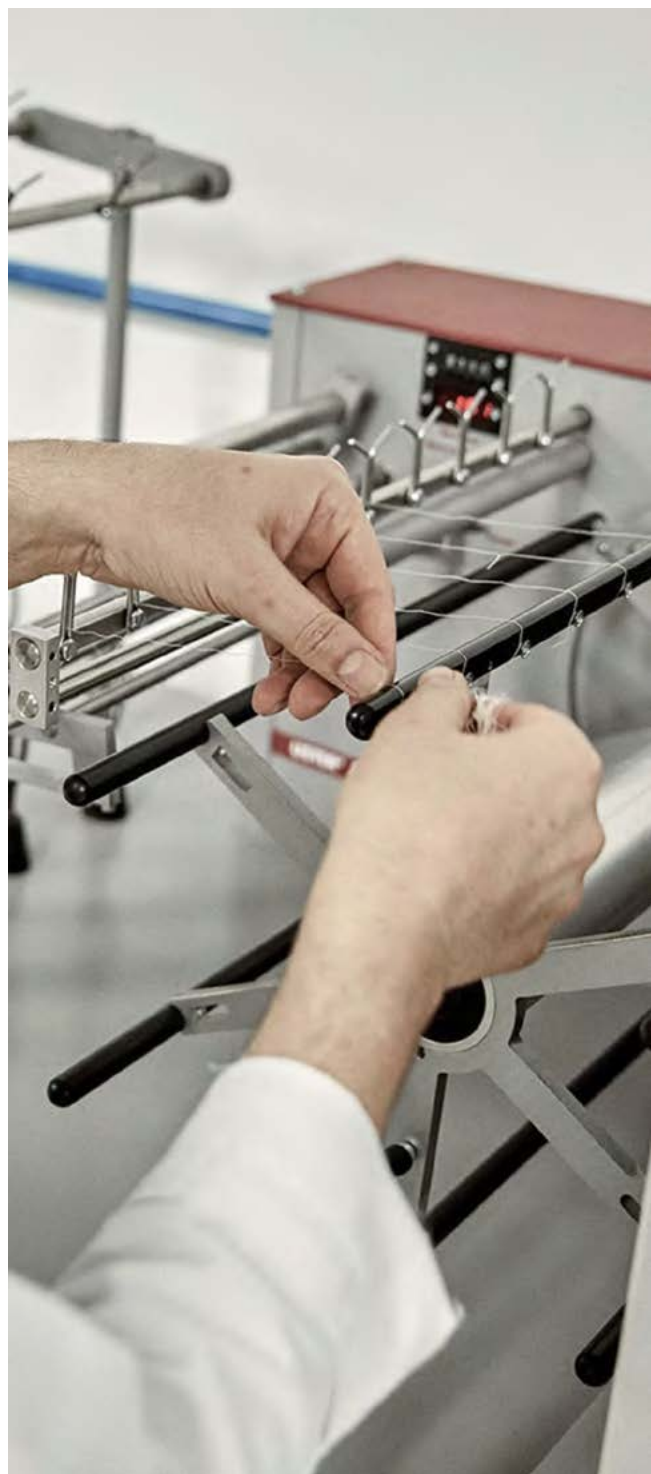
- Giving ongoing training to commercial and design teams on product health and safety issues.
- Providing technical assistance on-site to commercial and design teams.
- Cutting the time required to detect potential breaches and providing solutions best suited to the specific type of product.

Refreshment training is provided to these units of experts in partnership with academic institutions and scientific and technology companies. Training has been given to new internal teams in the own product health and safety area in 2020.

Similarly, and due to restricted mobility as a result of the exceptional situation of global pandemic, the mode of training has had to be adapted from in-person format to online format in the case of external training provided by our product health and safety teams in different countries.

d) Featured RDI initiatives related to product health and safety

Through RDI activities, we continue to make progress toward healthy, safe and environmentally sustainable products. Below is an overview of some of the notable initiatives in the fiscal year 2020:



CREATION OF A METHOD TO DETERMINE VOLATILE PERFLUORINATED COMPOUNDS

In the absence of an international methodology for determining perfluorinated compounds (PFCs) in textiles and chemical products, Inditex, in partnership with the University of Lleida, has developed a **new method for determining** these compounds **that includes, as a novelty, the determination of volatile PFCs with a very high degree of sensitivity** to comply with the strictest current limits.

APPLICATION OF ANTIOXIDANT LIPID PRODUCTS IN CHROMIUM (VI) PREVENTION

In 2020, Inditex, in partnership with the University of Lleida, has researched the application of treatments with antioxidant lipid products to prevent the appearance of chromium (VI) in leather products. The research showed that **antioxidant lipids are highly efficacious in the lasting protection of leather from the formation of chromium (VI)**, including in highly radical environmental conditions. Once the research has concluded, the findings will be shared throughout the supply chain via the *Green to Wear* standard.

ION CHROMATOGRAPHY WITH POST-COLUMN DERIVATIZATION

Inditex, in collaboration with the University of Lleida, has developed the application of an advanced method for the determination of chromium (VI) that represents considerable progress in the analysis of leather. This methodology incorporates a technology that allows **unprecedented sensitivity levels** to be reached and therefore generates **full confidence and trust in the final result**, regardless of how complex the leather matrix is.

STUDY OF THE POSSIBILITIES OF A NEW METHODOLOGY TO MEASURE THE PRESENCE OF FUNGICIDES IN LEATHER

Inditex, together with the University of Lleida, has investigated a new method for **detecting the presence of residues of preservative substances in leather** (fungicides in leather) that is much **more representative of the real conditions of use than conventional procedures**. This improvement is compatible with the ability to detect very small amounts of these substances, well below regulatory limits.



Sustainable management of the supply chain

3.4. Sustainable management of the supply chain



RELATED MATERIAL TOPICS:

VALUE CHAIN TRANSPARENCY AND TRACEABILITY; SOCIALLY SUSTAINABLE PRODUCTION ENVIRONMENTS; HUMAN RIGHTS; ENVIRONMENTAL FOOTPRINT MINIMISATION; RESPONSIBLE PURCHASING PRACTICES; STAKEHOLDER ENGAGEMENT



Having a stable, sustainable, highly specialised, agile and flexible supply chain is one of the key factors in Inditex's business model and one of our competitive advantages.

Thus, we are able to adapt to our customers' needs and to offer them a range of fashion in keeping with their preferences and manufactured in a sustainable way. During 2020, a high number of factories where our articles have been produced are located in countries that are close to our headquarters in Arteixo (in countries such as Spain, Portugal, Morocco or Turkey). Furthermore, 53% ⁽¹⁾ of those that perform end product processes are located in these nearby markets. This means we have the capacity and flexibility to adapt production to changes in trends and market demands.

Supply chain management requires strong policies and procedures in order to address geopolitical, demographic, socio-economic and environmental challenges faced in the supplying countries, such as the situation brought about by the covid-19 pandemic. As part of this management, we apply strict standards both in our own Company and our suppliers. We have nurtured stable relationships of trust and joint responsibility with our suppliers, fostering a culture of sustainability.

Our responsible management of the supply chain encompasses all suppliers and manufacturers and rests on the following pillars:

1 Ensuring the traceability and in-depth knowledge of our suppliers and manufacturers.

2 Applying sound social and environmental sustainability standards and requirements to our suppliers and manufacturers.

- **In the social sphere:** we work to ensure decent working conditions, consistent with respect for the human and labour rights of the workers of suppliers and factories that are a part of our supply chain, as evidenced by our **CODE OF CONDUCT FOR MANUFACTURERS AND SUPPLIERS**.
- **In the environmental sphere:** we devise sustainable production initiatives and foster the use of renewable energy sources and the reduction of emissions, and we guarantee the health and safety of our products, ensuring application of our **Green to Wear 2.0** standard.
- These standards are accompanied by a commitment by us to apply **RESPONSIBLE PURCHASING PRACTICES**.

3 The verification of our standards and continuous improvement of the supply chain.

(1) It includes cutting, sewing, dyeing and washing, printing and finishing facilities.



Our supply chain is characterized for its sustainability, agility and flexibility.

In order to apply our sustainability policies and procedures throughout the supply chain, the work of our 12 supplier clusters – comprising 97% of the total production – is crucial: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Argentina and Brazil. These clusters are spaces for cooperation and dialogue, the purpose of which is to foster a sustainable production environment in a strategic geographic area and within a framework of compliance with human rights and environmental friendliness.

In 2020 we have continued to work to ensure compliance with these principles by all our suppliers and manufacturers, irrespective of the process they carry out or the level of the supply chain they are located, with particular emphasis

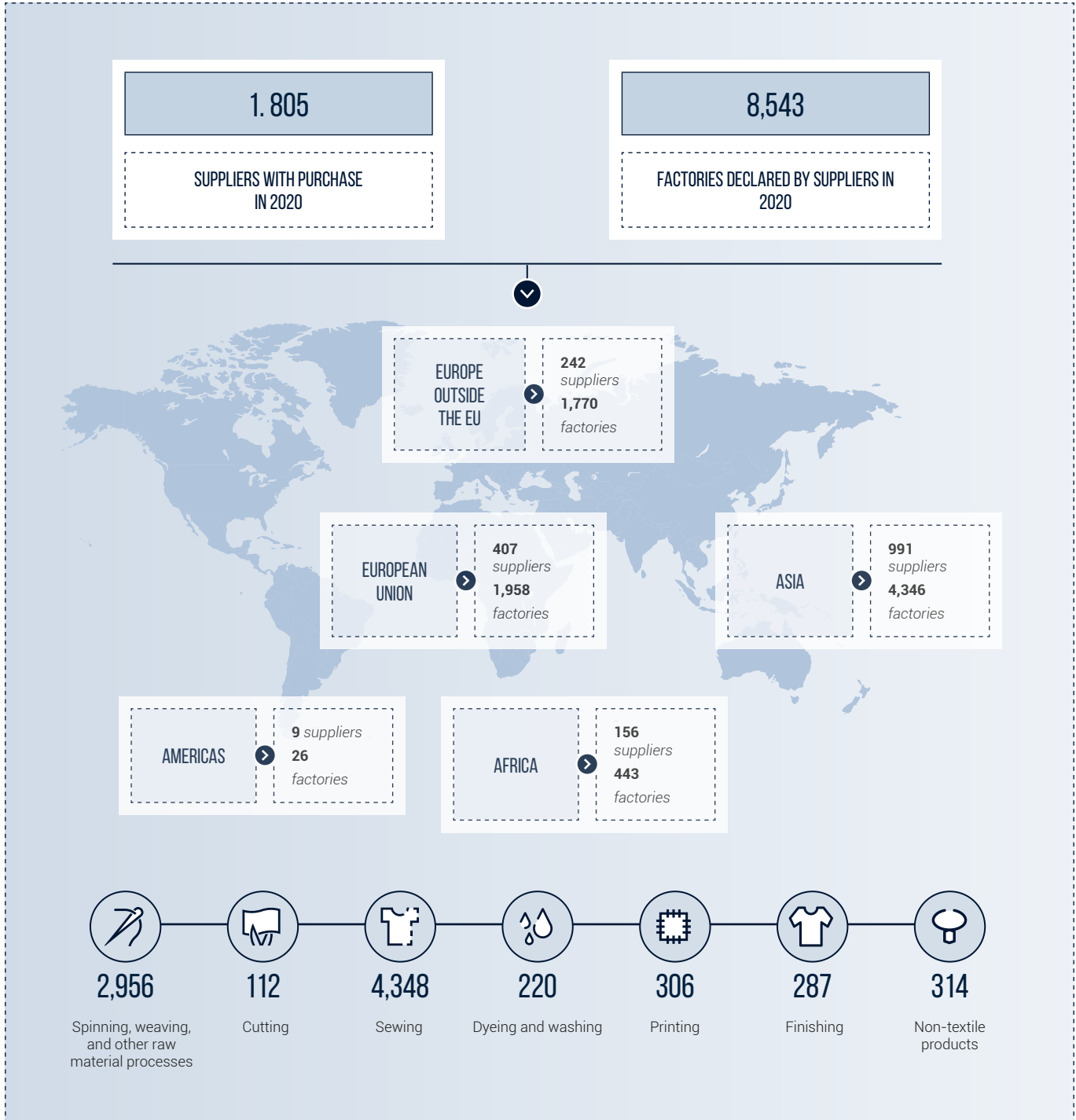
placed on those levels and process that are further away from the finished product.

One of the goals is to engage in ongoing collaboration and support throughout our relationship with suppliers, and to cooperate with them to improve their own supply chains. Thus, we train our suppliers, support them in the application of our standards and requirements, and work with them towards ongoing improvement. We are even developing pilot projects to analyse the willingness and need for technical assistance of our supply chain, with a view to achieving the sustainability goals defined at Inditex. And we endeavour to provide our suppliers with technical support to achieve these goals and facilitate access to sustainable financing.



In 2020, our supply chain was comprised by 1,805 direct suppliers⁽²⁾, which, in turn, used 8,543 factories⁽³⁾ for production and employ more than three million people.

The increase in the number of factories compared to 2019 (when there were 8,155 factories) is linked to Inditex's efforts to reinforce the traceability of processes related to the processing of raw materials (for instance, spinning or weaving processes), a field to which the Company has given special consideration in recent years.



(2) Suppliers of fashion items with a production of over 20,000 units/year in the 2020 spring/summer and autumn/winter campaigns. Suppliers with lower productions account for 0.3% of total production.

(3) Factories declared by the suppliers in the product traceability system for 2020 orders.

THE SUPPLY CHAIN AT INDITEX IN 2020

	SUPPLIERS WITH PURCHASE IN 2019	SUPPLIERS NOT USED IN 2020	NEW SUPPLIERS 2020	SUPPLIERS WITH PURCHASE IN 2020
AFRICA	161	33	28	156
AMERICAS	17	9	1	9
ASIA	1,107	260	144	991
EUROPE OUTSIDE THE EU ⁽⁴⁾	232	41	51	242
EUROPEAN UNION	468	101	40	407
TOTAL	1,985	444	264	1,805

TRANSPARENCY AND ACCOUNTABILITY

We share comprehensive information regarding our supply chain with various organisations and stakeholders, in line with our commitment to transparency.

INDUSTRIALL GLOBAL UNION

Under the umbrella of our Global Framework Agreement, we regularly share with IndustriALL the full and updated list of our manufacturers, including details such as their addresses and degree of compliance with sustainability standards.

We provide IndustriALL and its local affiliates with access to all the companies in our supply chain.

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

INTERNATIONAL LABOUR ORGANIZATION

In order to work on advising and improving the conditions of the factories, we share with the ILO information on our supply chain in countries where we take part in the *Better Work* programme.

We also have a public-private partnership with the ILO to protect labour rights in the cotton supply chain.

 More information on section 2.7.7. *Protection of labour rights in the production of raw materials* of this Annual Report.

ZERO DISCHARGE OF HAZARDOUS CHEMICALS AND INSTITUTE OF PUBLIC & ENVIRONMENTAL AFFAIRS IN CHINA

We provide access to environmental information on our production. We collaborate with our suppliers to publish the results of wastewater analyses obtained from the *Green to Wear* assessments on the ZDHC Gateway platform and the website of the IPE, with whom we work to improve the environmental management of the supply chain in China.

 More information on section 3.1.3. *Our approach to water management* of this Annual Report.

NGO

We provide social, economic and environmental information both on demand and regularly to various non-profit organisation with whom we collaborate. These include, among others, Greenpeace, Textile Exchange, Clean Clothes Campaign, Fashion Revolution and Baptist World Aid.

 More information on section 4.3. *Partnerships and commitments with civil society* of this Annual Report.

INVESTORS, STOCK MARKET INDICES

Inditex's commitment to transparency and accountability has been positively acknowledged by various organisations, including Dow Jones Sustainability Index, FTSE4Good, Sustainalytics and Corporate Knights, among others.

 More information on section 4.4. *Acknowledgements* of this Annual Report.

CUSTOMERS

Our *Join Life* label standard is the main information point for our customers with regard to the sustainability parameters of our articles. However, we also respond to specific requests for information regarding sustainability, such as the origin of our articles or the labour conditions involved in their production.

In 2020, more than 2,600 of our customer information requests regarding the sustainability of our articles and our *Join Life* standard were fielded.

INDUSTRY

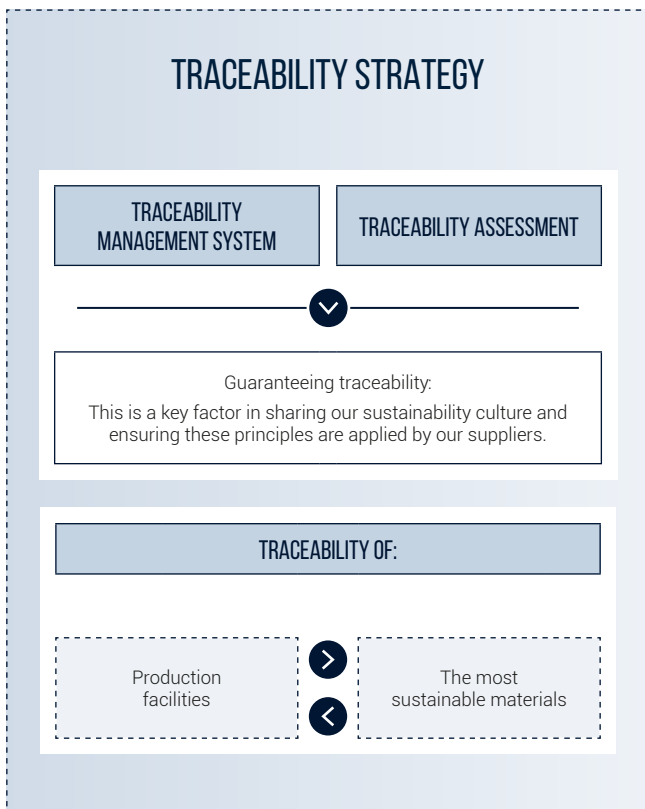
Within the framework of our cooperation in initiatives such as ACT (*Action, Collaboration, Transformation*) or the Bangladesh Accord, we share information concerning sustainability with other companies and stakeholders in the sector with the aim of collectively improving and maximising our contribution to sustainability.

(4) Due to the United Kingdom's leaving the European Union, active UK suppliers in 2019 were reclassified as Europe outside the EU and the figures for the previous year were recalculated to maintain their comparability with the current year.

3.4.1. Traceability of the supply chain

The cornerstone to ensuring compliance with our sustainability standards and requirements, both those applicable directly to the product and those applicable to the facilities involved in manufacturing them, is traceability. Thus, our focus and emphasis on ensuring traceability allows us to guarantee compliance with the social and environmental criteria regarding the materials and factories used to produce our articles through various tools and processes.

Inditex manages the traceability of its supply chain via two main lines of action: its traceability management system and the traceability assessment.



In addition to the development of our traceability strategy as a Company, in 2020 we have collaborated with the United Nations Economic Commission for Europe (UNECE) in its project to define a Traceability Policy with a holistic view in response to the growing demand for policies and legislative action to bring about responsible business conduct in supply chains worldwide.

a) Traceability management system

We demand that our suppliers inform us, at all times, of the factories involved in our production, from textile raw material processing through to finishing processes. We also digitalise the information using an in-house developed Traceability Management System. This system has developed so as to facilitate its use to interested parties (both internal teams and suppliers). Likewise, the scope of the information compiled has broadened, with a particular emphasis on the traceability of raw materials.

Each supplier must know its supply chain and declare it to be complete in the traceability management system. Informed factories must pass the relevant filters to be approved and authorised. The management system itself includes social, environmental and product safety information about each of the factories.

Subsequently, for each order they receive, suppliers must assign the factories that are going to be involved, specifying units and processes, from the raw material to the finished product. Each supplier is responsible for the factories it uses, and it must work with Inditex to ensure compliance with our sustainability standards. Factories that do not comply with sustainability requirements cannot be used in our productions.

In 2020, work continued to identify spinning, weaving and raw material wet process facilities, developing new functionalities to enhance quality and detail in the information provided on the manufacture of fabrics. Furthermore, a supplier assistance programme was implemented to identify and regulate knitwear manufacturing facilities in Asia.

The traceability team is available to accompany and support suppliers in the process of declaring the facilities, also monitoring compliance with traceability requirements.

b) Traceability assessment

Supplier declarations submitted in the traceability management system are verified by traceability audits. The main aim comprises verifying *in situ* that the Group's production is undertaken in duly declared and authorised factories.

The traceability audits methodology features three-step deployment. The first of these is the analysis of the traceability management system information to identify the productions to be checked. There is then an



unannounced visit to the declared factory's facilities to verify the production processes it can carry out, as well as the production underway and completed production. Lastly, the findings from the visit are compared with the information entered by the suppliers in the traceability tool, to demonstrate both the processes and the units completed by the factory.

In 2020, 1,342 traceability audits were conducted (1,396 in 2019 and 2,546 in 2018) and the number of traceability breaches was 206, fewer than in previous years. The traceability team manages these breaches with suppliers and buying teams, analysing their root cause to prevent their repetition. The Company made a significant effort in 2020 to maintain the pace of traceability audits as compared to 2019, despite the challenges posed by the covid-19 pandemic. To adapt to the restrictions in place, the methodology had to be adapted, with virtual checks being conducted for the first time in 2020.

The selection of productions for verification is made on the basis of risk analysis, in accordance with the information provided by the suppliers in the management system and the data gathered by the clusters. In addition, cluster traceability teams conduct investigations if they receive any indication of the existence of deviations in the traceability of the production.

TRACEABILITY AUDITS

	2020
AFRICA	139
AMERICAS	28
ASIA	642
EUROPE OUTSIDE THE EU	385
EUROPEAN UNION	148
TOTAL	1,342

Of the 1,342 traceability audits conducted in 2020, 1,070 were conducted by external auditors belonging to independent audit firms.

The traceability strategy is completed with the definition and implementation of the necessary procedures to approve the most sustainable materials used in our products, enabling us to ensure compliance with the standards approved by our *Join Life* programme. Traceability is also a crucial factor in ensuring the circularity of our products.

 More information on section 3.3.3. *Join Life* programme of this Annual Report.



The Code of Conduct for Manufacturers and Suppliers and the Green to Wear standard set forth mandatory compliance standards for suppliers and manufacturers in matters of human and labour rights, product health and safety and environmental aspects.

3.4.2. Policies, standards and principles on which our supply chain management is based

a) Code of Conduct for Manufacturers and Suppliers

The Code of Conduct for Manufacturers and Suppliers (hereinafter CCMS or the [Code of Conduct](#), available on our website) is the fundamental cornerstone on which our activity and our relations with suppliers are based. It sets forth mandatory compliance standards in matters of labour rights, product health and safety and environmental aspects. In this respect, it lays down the minimum standards of ethical conduct to be observed by all the suppliers and manufacturers in the supply chain. These values and practices are based on respect for Human and Labour Rights.

The express acceptance of all the Code standards is required for a manufacturer or supplier to form part of the Inditex supply chain, as well as passing audits to verify compliance with the Code of Conduct for Manufacturers and Suppliers. The breach of any of the above referred standards may entail the termination of the business relationship with the supplier.

The Code of Conduct has been designed to be a dynamic document, subject to continuous review in order to strengthen its applicability and ensure it incorporates best practices at all times. As a conceptual framework, it is based on OECD principles, the *Ethical Trading Initiative's Base Code*, the principles of the United Nations Global Compact and, among others, the following International Labour Organization (ILO) conventions: 1, 14, 26, 29, 79, 87, 98, 100, 105, 111, 131, 135, 138, 142, 155, 164 and 182.

b) Green to Wear

At Inditex, we are committed to stop climate change and to reducing the pressure on natural resources. To do so, we have an environmental sustainability strategy in place based on the control and improvement of quality throughout the supply chain, ensuring that all our items meet the exacting health, safety and environmental sustainability standards.

In line with this commitment, we have our own *Green to Wear* standard. Its goal is to minimise the environmental impact of factories in the supply chain and improve health and safety aspects of articles, as well as to foster best practices. Particular emphasis is placed on proper water management in order to reduce consumption using the most advanced technology. It also includes indicators that assess sustainable and efficient management of raw materials, water, technology and processes, chemical products, waste and wastewater.

At the start of 2020, after considerable development, the standard became *Green to Wear 2.0* (or *GtW 2.0*). We included the management of chemical substances (included to date in the *Ready to Manufacture* code), so that it became a fundamental part of our strategy along with our programme *The List, by Inditex*, which plays a key role in the selection of chemicals used and ensures the absence of hazardous substances in emissions as well as in the products.

Through this standard, which applies to all suppliers and manufacturers in our supply chain that perform wet processes, and through our environmental audits, we measure the degree of compliance with the Zero Discharge in 2020 commitment (also known as ZDHC – *Zero Discharge of Hazardous Chemicals* – commitment).



More information in section c) *Raw material control* in the paragraph 3.3.2. *Selection of materials* of this Annual Report.

The new standard, also available on our [website](#), allows more thorough control of the supply chain facilities. By implementing it throughout our supply chain and in the chemical industry that manufactures dyes, pigments and ancillary chemicals, we also aim to comply with Greenpeace's *Clean Factory Approach*.

c) Responsible purchasing practices

Responsible purchasing practices are fundamental for the sustainability of the supply chain. They are defined by the way we interact and negotiate with the suppliers in our supply chain. They encompass strategic planning, procurement, development, purchasing and the underlying values and principles that affect workers. The improvement of our purchasing practices helps towards sustainable development and establishment of living wages and better working conditions in the garment, textile and footwear industries.

With this goal, we have developed management systems that allow buying teams to know the performance of each supplier and each factory in terms of their social, environmental and product health and safety aspects, to incorporate these in their buying decisions. Furthermore, to strengthen our commitment, our employees' variable remuneration also includes targets linked to sustainability.

Response to covid-19

In accordance with our policy of responsible purchasing practices, we have guaranteed the payment of all orders already placed and in progress. This measure was taken immediately and in accordance with the original terms, speeding up payments in cases with logistics difficulties in the delivery of the goods. Constant communication with our suppliers has been key to identifying their needs, protecting their revenues, and safeguarding the health and jobs of their employees. This has enabled suppliers to plan and organise their productions and staff, and thereby to minimise the impact as far as possible.

In addition, we have worked actively with various financial institutions to create financing mechanisms for our suppliers and manufacturers to enable them to overcome the economic impact of the pandemic, with the priority of guaranteeing the payment of salaries and strengthening the health and safety measures necessary to prevent the spread of covid-19.

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



Inditex is aware that a responsible approach to purchasing practices is a vital part to achieve a more sustainable supply chain, which includes living wages for workers. In this regard, in March 2015, we signed a Memorandum of Understanding (MoU) with IndustriALL, evidencing our commitment to purchasing practices.

Moreover, as a member of the ACT on Living Wages initiative, Inditex is committed to ensure that its purchasing practices facilitate the payment of a living wage. In this connection, we have agreed to transparency in respect of stakeholders in the ACT priority countries (Bangladesh, Myanmar, Turkey and Cambodia) regarding the milestones for the implementation of our labour costing strategy (identifying the wage component in price negotiations with suppliers).

As part of our responsible purchasing practices (including cementing a sustainability culture throughout the Company, purchasing teams included), Inditex takes an active part in the ACT Working Group on purchasing practices, which provides tools to assess and improve these practices.

Work on responsible purchasing practices is not only aimed at buyers, but also at suppliers. Over the course of the year, we have been in constant contact with our suppliers and buyers to implement new parameters for measuring purchasing practices, in line with the *Accountability*

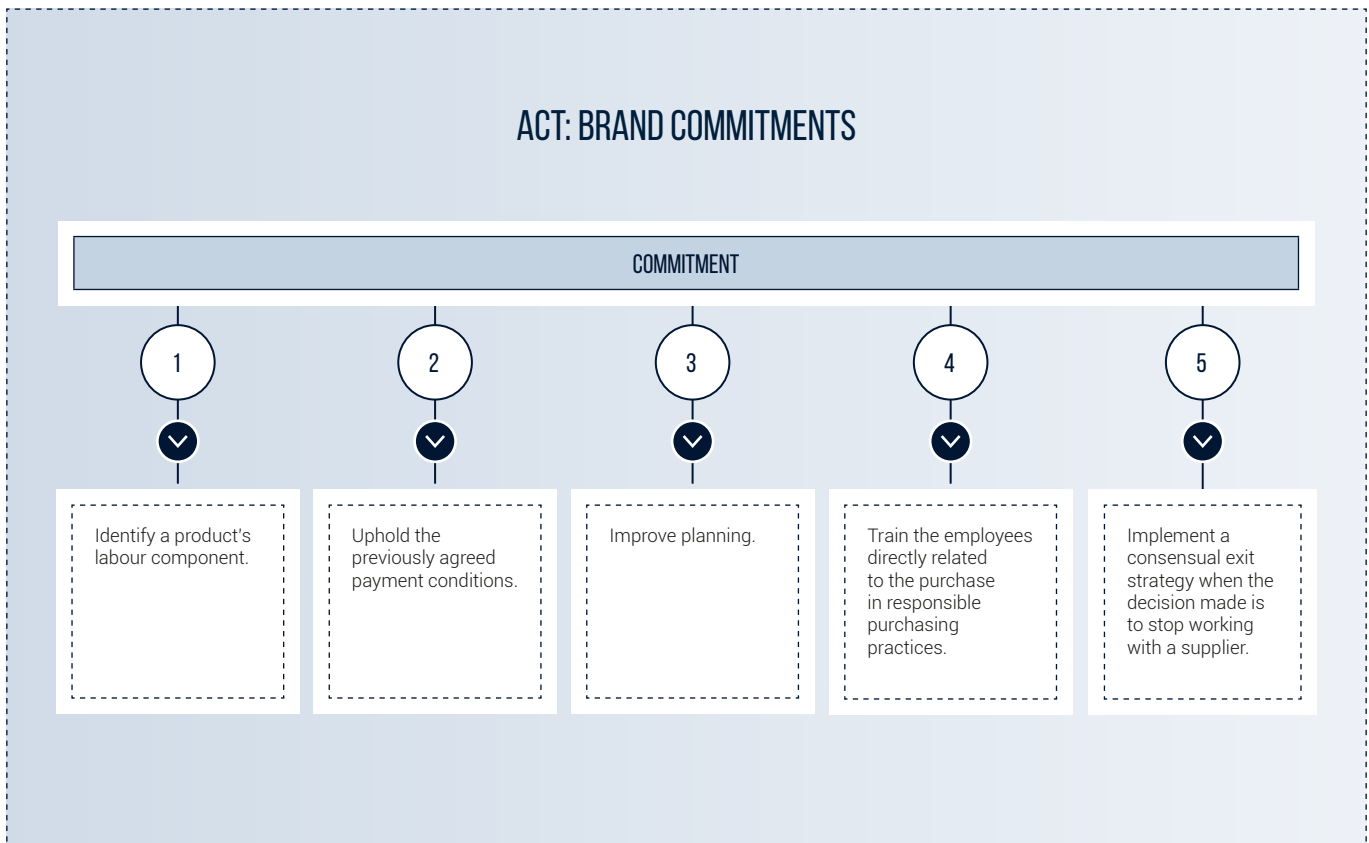
& *Monitoring Framework* agreed by ACT brands. This framework is a step forward in due diligence in connection with purchasing practices that enables us to assess and monitor compliance with the principles established in the MoU signed with IndustriALL.

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

Goals in 2021

In accordance with the commitment signed with ACT, Inditex and the rest of brands undertake to conduct surveys among buyers (Purchasing Practices Self-Assessment – PPSA) and suppliers (Purchasing Practices Assessment – PPA) in the supply chain. The goal is to evaluate the practices with our suppliers in the purchasing process and to analyse and formulate personal, departmental and Company action plans in order to implement a training programme with common guidelines on ACT's commitments to purchasing practices.

In addition, work will continue with the commercial team on a common scheme to identify the wage component of products so as to exclude it from the negotiation process. The idea is to reflect wage increases in the labour components and thus facilitate at the brand level our supplier's compliance with collective bargaining agreements.

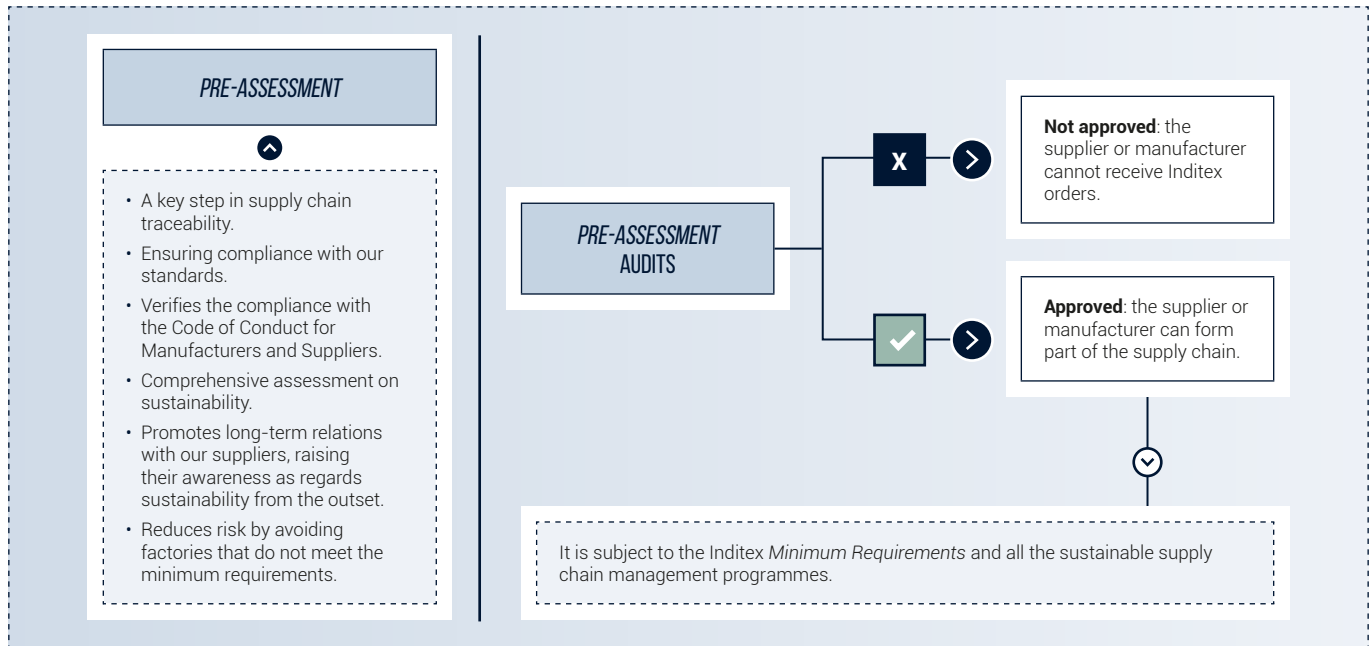


3.4.3. Assessment and continuous improvement

a) Pre-Assessment

The first verification of compliance with Inditex requirements on environmental and social management takes place even before the supplier begins its business relationship with us. Thus, before becoming part of

the Inditex supply chain, all potential suppliers and manufacturers are evaluated through a pre-assessment audit that ensures that only those that comply with our sustainability standards, and in particular with our Code of Conduct for Manufacturers and Suppliers, can become part of our supply chain.



The pre-assessment audit is conducted by external or internal auditors and without prior notification. Inditex carried out 3,062 pre-assessment audits during 2020 (2,789 and 2,177 audits in 2019 and 2018, respectively). A total of 2,767 of these were conducted by external auditors, who are trained to correctly apply the Inditex methodology. The increase of pre-assessment audits in 2020 is in relation to the effort made to reinforce traceability in terms of factories with processes related to the processing of raw materials.

Companies classed as approved can receive orders from the buying teams and are subject – from then on – to the standards laid down in the Inditex Minimum Requirements, which includes the social, environmental and product health and safety requirements of the Inditex Group.

PRE-ASSESSMENT AUDITS IN 2020

GEOGRAPHIC AREA	PRE-ASSESSMENT AUDITS	APPROVED %
AFRICA	63	92%
AMERICAS	15	73%
ASIA	2,123	79%
EUROPE OUTSIDE THE EU	394	78%
EUROPEAN UNION	467	93%
TOTAL	3,062	81%

b) Social Audits

All the facilities we work with must comply with the Code of Conduct for Manufacturers and Suppliers. Once the pre-assessment has been passed, compliance with the Code of Conduct is evaluated through social audits, which are carried out periodically on each and every one of the suppliers and factories that make up our supply chain.

The purpose of social audits is to ensure that the fundamental rights of the workers involved in our supply chain are respected. Hence, the audit verifies the degree of compliance with the Code of Conduct and, based on the findings, Corrective Action Plans are established.

The methodology of the social audits implemented in Inditex was initially designed in 2007 in partnership with the former International Textile, Garment and Leather Worker’s Federation (currently integrated in IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics of Cambridge (UK). This methodology has been updated several times and includes among other protocols:

- Interviews with the workers and their representatives
- Review of documentation related to the working conditions of workers
- Visits to the facilities of the audited Company
- Interviews with management

Social audits can be conducted either by internal or external auditors, but always without notifying the Company to be audited in advance. During 2020, 5,689 social audits⁽¹⁾ were carried out (6,411 and 5,359 audits in 2019 and 2018, respectively). The audit data for this year should be read in conjunction with the Corrective Action Plans data displayed in the following section, since our accompanying work to improve suppliers and factories has intensified this year.

SOCIAL AUDITS IN 2020

GEOGRAPHIC AREA	NUMBER
AFRICA	197
AMERICAS	14
ASIA	3,259
EUROPE OUTSIDE THE EU	1,074
EUROPEAN UNION	1,145
TOTAL	5,689

Of the more than 5,500 social audits conducted in 2020, 5,411 were conducted by external auditors belonging to various audit firms. To ensure the quality of the audits and that our methodologies are correctly applied, we make major efforts in training external auditors. Last year we worked with 677 external auditors⁽²⁾, of which 545 were trained in 2020.

As a result of the social audits, suppliers and manufacturers are classified based on their degree of compliance with the Code of Conduct. In 2020, the active suppliers are classified as follows:

(1) A company may receive more than one social audit during a fiscal year. Each audit carried out is considered when accounting for audits.

(2) Includes auditors that conducted social, environmental, pre-assessment, traceability, and special audits in 2020.

“ In 2020, 98% of the Group's purchases were from A or B-ranked suppliers.

CLASSIFICATION	2020		2019		2018	
	NUMBER OF SUPPLIERS ⁽³⁾	PERCENTAGE (%)	NUMBER OF SUPPLIERS	PERCENTAGE (%)	NUMBER OF SUPPLIERS	PERCENTAGE (%)
A	575	32%	784	40%	661	35%
B	1,152	64%	1,051	53%	1,045	56%
C	27	2%	44	2%	80	4%
SUBJECT TO CAP	24	1%	38	2%	47	3%
PR	27	1%	68	3%	33	2%
TOTAL	1,805	100%	1,985	100%	1,866	100%

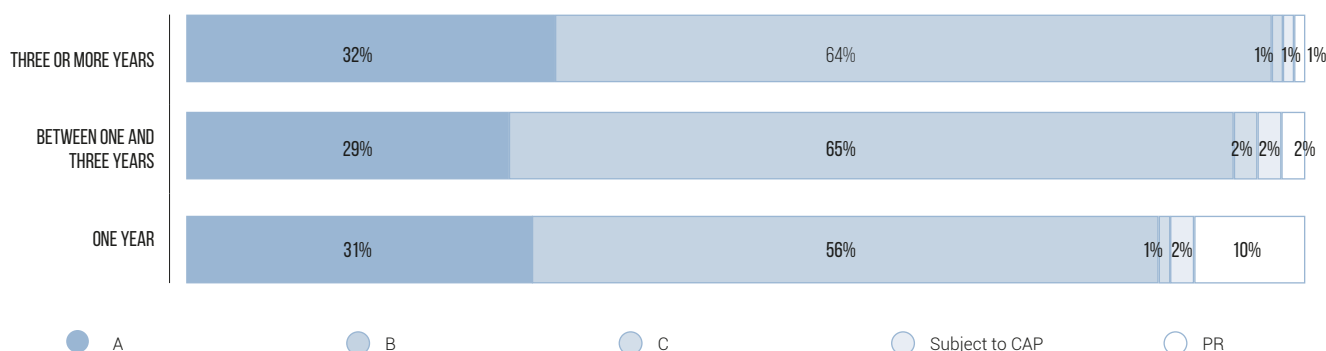
CLASSIFICATION	AUDIT RESULTS
A	COMPLIES WITH THE CCMS
B	DOES NOT COMPLY WITH SOME NON-RELEVANT ASPECT OF THE CCMS
C	DOES NOT COMPLY WITH SOME SENSITIVE, BUT NOT CONCLUSIVE, ASPECT OF THE CCMS
SUBJECT TO CAP	BREACHES OF THE CCMS TRIGGERING THE IMMEDIATE IMPLEMENTATION OF A CORRECTIVE ACTION PLAN
PR	AUDIT IN PROGRESS.

Note that this year 98% of purchases were from A or B-classified suppliers, which represent the highest degrees of compliance in terms of social sustainability. This demonstrates how sustainability criteria are fundamentally relevant in purchasing practices.

Supplier classification improves every year as a function of their years of relations with Inditex, thanks to our efforts to ensure that workers' conditions comply with

the Code of Conduct, and due to the joint work with suppliers and our stakeholder groups to continuously improve our supply chain. This can be seen in the fact that the percentage of A or B-classified suppliers (the highest degrees of compliance within our methodology) is higher in those that have formed part of our supply chain for longer and, therefore, those with whom we have spent more years undertaking improvement programmes and initiatives.

CLASSIFICATION OF SUPPLIERS ACCORDING TO THEIR BUSINESS RELATIONSHIP WITH INDITEX (%)



(3) It includes suppliers with more than 20,000 purchasing units in the 2020 spring/summer and autumn/winter campaign. Suppliers with production of less than 20,000 units represent 0.3%.



We take part in initiatives designed to promote consensus frameworks in the industry for supplier assessment, such as the Social & Labour Converge Program.

Social & Labour Convergence

Inditex supports and belongs to the *Social & Labor Convergence Program* (SLCP), aimed at creating an efficient, scalable and sustainable solution to avoid overlapping in social audits. Together, we are working to implement the first framework for industry-wide consensus to assess social and labour conditions so that data can be shared and analysed. This saves time and resources which can be channelled to foster improvements.

In 2020, we have made progress in adopting the SLCP framework in markets such as India, Turkey and China, promoting the verification of our suppliers and manufacturers

according to the basic principles of this initiative and supporting them during the process.

Through the SLCP, we also aim to strengthen suppliers' awareness of their responsibility to comply with international human rights and labour standards.



Social audits are also a very important source of information for the development of the activities of the Workers at the Centre 2019-2022 strategy, as they make it possible to determine and identify the main challenges in each country in relation to the different aspects of the Code

of Conduct. In doing so, our teams can assess and identify which actions to take to overcome them.

More information on section 2.7. *Contribution to the socio-economic development of workers and the industry* of this Annual Report.

PERCENTAGE OF COMPLIANCE WITH THE CODE OF CONDUCT IN THE ACTIVE FACTORIES⁽⁴⁾ OF SUPPLIERS WITH PURCHASES IN 2020:

	AFRICA	AMERICAS	ASIA	EUROPE OUTSIDE THE EU	EUROPEAN UNION
NO FORCED LABOUR.	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
NO WORK BY YOUTHS OR CHILD LABOUR ⁽⁵⁾ .	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
NO DISCRIMINATION.	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
RESPECT FOR FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING.	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
NO HARSH OR INHUMAN TREATMENT.	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
HYGIENE AT WORK.	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
WAGE COMPLIANCE.	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
WORKING HOURS.	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
ENVIRONMENTAL AWARENESS.	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
REGULAR WORK.	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%
IMPLEMENTATION OF THE CODE ⁽⁶⁾ .	Over 90%	Over 90%	Over 90%	Over 90%	Over 90%

● Over 90% ● Between 70% and 90% ● Between 50% and 70% ● Less than 50%

(4) Factories blocked in 2020 not included.
 (5) Includes the lack of suitable systems for verifying the age of workers.
 (6) Includes the lack of suitable systems for registering and communicating with workers.

c) Environmental Audits


Verification of compliance with the GtW 2.0 standard is regularly assessed using environmental audits on suppliers and factories that belong to the Inditex supply chain and carrying out wet processes. These audits are carried out by independent external auditors and 1,123 audits were carried out in 2020⁽⁷⁾.

ENVIRONMENTAL AUDITS IN 2020

GEOGRAPHIC AREA	NUMBER
AFRICA	26
AMERICAS	1
ASIA	670
EUROPE OUTSIDE THE EU	237
EUROPEAN UNION	189
TOTAL	1,123

In addition to an announced visit to the facilities of the announced Company and a review of documentation, these audits include an unannounced analysis of wastewater samples from each of the audited facilities, which is posted on the *ZDHC Gateway* platform set up for this purpose.

These audits allow us to assess compliance with several of our environmental sustainability commitments, which include notably our Zero Discharge Hazardous Chemicals (ZDHC) commitment. In addition, we collaborate with our suppliers to disclose the results of wastewater analyses obtained from the *Green to Wear* assessments on the *ZDHC Gateway* platform.

 More information on section c) *Raw material control* in the chapter 3.3.2. *Selection of materials* of this Annual Report.

Facility environmental module (SAC)

Developed within the *Sustainable Apparel Coalition* (SAC), an organisation of which we are a member and with which we actively collaborate, the *Facility Environmental Module* (or FEM) makes it possible to assess the environmental impact of suppliers and factories, covering aspects such as water consumption, waste management, chemical product management, emissions and energy consumption.

This framework makes it possible to create a common language when assessing the environmental impact and therefore helps prevent audit overlap.

Since the start of 2021, at Inditex we have promoted the application of this tool by our suppliers and manufacturers.



d) Special Audits

Special audits focus on a specific area for improvement. Examples of objectives included are structural and technical assessments or the assessment of working conditions of the workers exclusively from a health and safety perspective. Like social audits, they can be carried out by external or internal auditors. 781 special audits⁽⁸⁾ have been performed in 2020 (1,619 and 1,982 audits in 2019 and 2018, respectively).

SPECIAL AUDITS IN 2020

GEOGRAPHIC AREA	NUMBER
AFRICA	36
AMERICAS	2
ASIA	673
EUROPE OUTSIDE THE EU	43
EUROPEAN UNION	27
TOTAL	781

(7) The number of audits conducted in 2019 and 2018 is not included, since due to the update of GtW 2.0 standard and the consolidation of the previous *GtW and Ready to Manufacture* standards therein, the number of audits reported in previous years is not comparable.

(8) The drop in the number of special audits performed is related to restrictions as a result of the covid-19 pandemic.

e) Continuous Improvement

A cornerstone of sustainable supply chain management is ongoing improvement, with Corrective Action Plans (CAP) being one of the main tools we use to this end. These are undertaken after identifying breaches in both social and environmental audits conducted on suppliers and factories in our supply chain.

The two main objectives of the CAPs are:

- The establishment of measures aimed at mitigating and/or remedying potential breaches of the CCMS or the GtW 2.0 standard.
- Prevention to avoid further breaches in future.

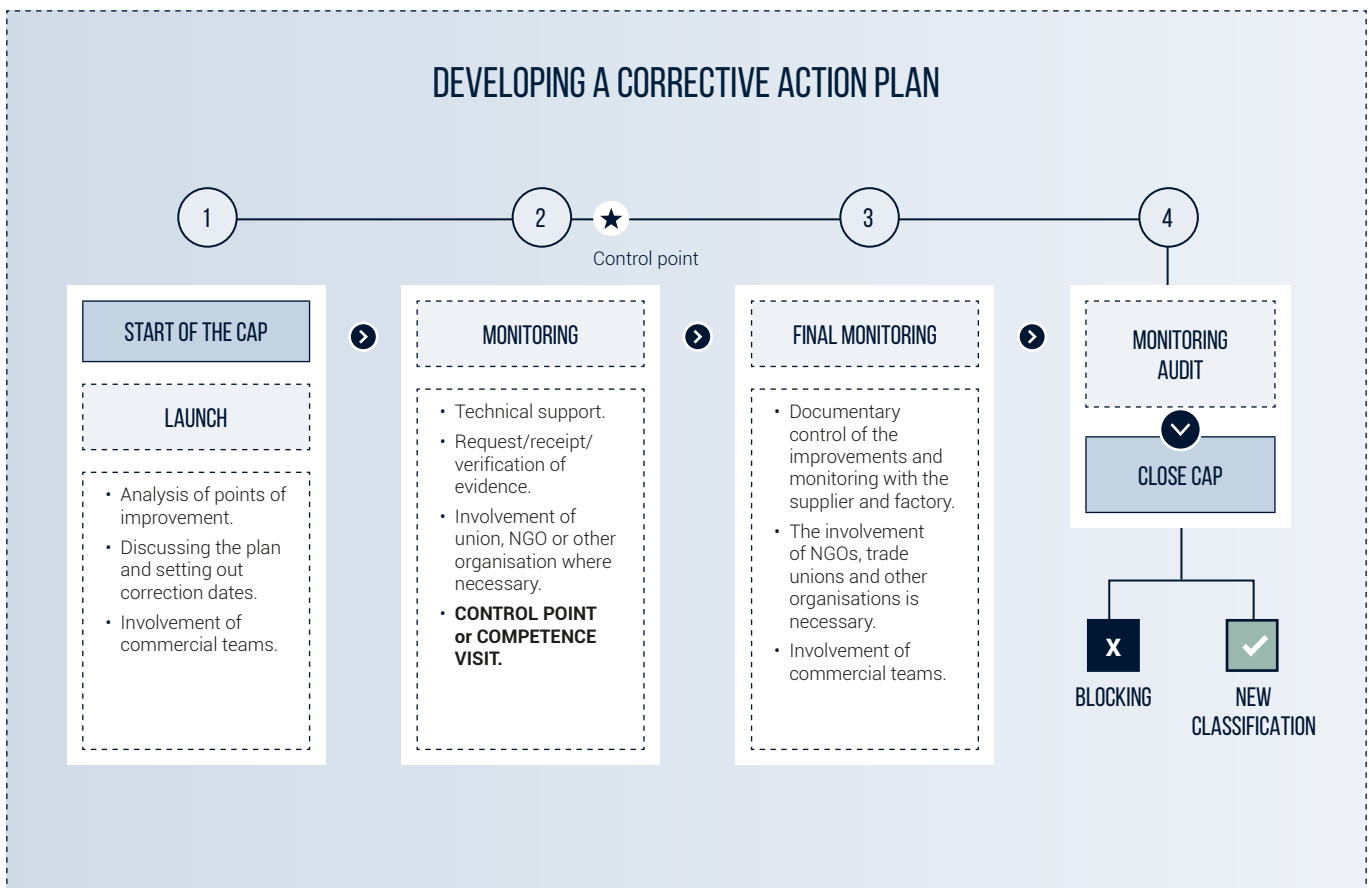
They are a clear example of Inditex’s philosophy of always helping suppliers to improve and how we offer them our support. Our sustainability teams, as well as the commercial teams, offer constant support to suppliers throughout the duration of the Plan in order to improve workers’ conditions and seek a positive environmental and social impact. On the one hand, they provide advice on the best way to implement corrective measures. On the other hand, they continuously monitor it to be able to influence the supplier and take action before the stipulated time has

elapsed, if it is detected that the plan is not progressing at the pace required to meet the terms.

Furthermore, in the case of breaches of the Code of Conduct, they can also have the support of other stakeholders, such as non-governmental organisations, trade unions or other civil society organisations to help develop the CAP. For example, in 2020 we collaborated with organisations such as *Refugee Support Centre (MUDEM)* to roll out these plans.

The CAPs include exacting goals and deadlines that must be met properly and promptly by the supplier and their duration will depend on the severity of the breaches detected. In the case of the most sensitive breaches (Subject to CAP ranking), the approximate duration of the CAP is six months, during which time our teams provide support to suppliers and manufacturers in order to implement the necessary corrective measures. Upon completion of this period, a new audit is conducted. In the event of verifying that the plan has not been fulfilled, and critical breaches are again identified, the factory or supplier will be blocked and its commercial relationship with Inditex will be suspended.

Our control methodology includes support and monitoring of the evolution and compliance of these CAPs by our teams, including competence visits or control points performed by our staff.





It is worth mentioning that, in line with our philosophy of ongoing improvement, in 2020, the scope of the comprehensive follow-up conducted through these Corrective Action Plans has been extended to other ratings, not solely to factories with more sensitive breaches.

- Social CAPs: in 2020, 715 Corrective Action Plans were conducted. 303 of these plans were carried out in factories subject to a CAP, and 412 in factories with other ratings.⁽⁹⁾

- Environmental CAPs: in 2020, 490 Corrective Action Plans were conducted. 132 of these plans were carried out in factories subject to a CAP, and 358 in factories with other ratings.⁽¹⁰⁾

If the result states that the necessary measures have not been implemented, the factory or supplier is blocked and it cannot continue working for Inditex. We have a zero tolerance stance towards those which do not make good use of improvement opportunities and which, despite our efforts, still do not comply with our Code of Conduct and our requirements. Thus, in 2020, 23 suppliers were rejected for reasons related to breaches of the Code of Conduct, and were barred from continuing to receive orders from any brands in the Group.

	SUPPLIERS WITH PURCHASES ⁽¹¹⁾	REJECTED DUE TO A BREACH OF THE CODE OF CONDUCT	REJECTED FOR COMMERCIAL REASONS	SUPPLIERS IN OPERATION AT 31/1/2021
AFRICA	156	4	7	145
AMERICAS	9	0	3	6
ASIA	991	6	6	979
EUROPE OUTSIDE THE EU	242	8	2	232
EUROPEAN UNION	407	5	3	399
TOTAL	1,805	23	21	1,761

Similarly, carrying out a responsible exit strategy for removing suppliers from the supply chain is one of the commitments in the field of purchasing practices that we have agreed with brands belonging to the ACT initiative. This means that, in the event that – for duly-grounded reasons – we decide to cease operations with a supplier, the relationship will be terminated in a committed manner. In doing so, we carry out a prior accompaniment and monitoring task, in order to attempt to curb the impact this may involve.

Blocking a supplier or factory is the last resort. In this regard, our support to suppliers and factories is not limited to simply performing the CAPs, but we also conduct a number of actions to prevent breaches and we pro-actively seek the continuous improvement of the supply chain. Our aim is to establish a continuous collaboration and dialogue based on mutual trust with our suppliers. Accordingly, we offer them support and cooperation to improve their own supply chains both from the point of view of minimising environmental impact and promoting the human and labour rights of their workers.

Our clusters play a key role in strengthening relations with suppliers, since they comprise local professionals with considerable experience in sustainability and with a variety of skills and abilities, who make up multidisciplinary teams in order to understand and address local realities in the supply chain and support suppliers in addressing global challenges.

(9) In 2019 and 2018, only Corrective Action Plans of a social nature conducted in factories or suppliers Subject to CAP were reported. (400 and 417 in 2019 and 2018, respectively)

(10) 136 and 135 Corrective Action Plans in 2019 and 2018, respectively.

(11) Suppliers of fashion items with a production of over 20,000 units in the 2020 spring/summer and autumn/winter campaigns. Suppliers with lower productions account for 0.3% of total production.



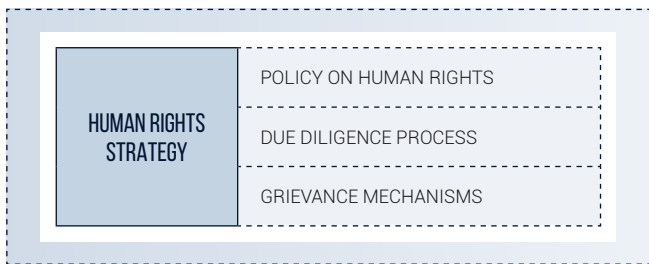
Human Rights

3.5. Human Rights

RELATED MATERIAL TOPICS: HUMAN RIGHTS



Inditex's Human Rights strategy encompasses the operations of the entire Group and is based on three pillars: the Human Rights Policy, the Due Diligence Process, and the Grievance Mechanisms. This is a true reflection of our alignment with the UN Guiding Principles on Business and Human Rights. All our policies, plans and strategies are built on these, in an effort to promote and foster respect for Human Rights of the people involved in our activity.



In this regard, we would like to highlight our collaboration with the organisation Shift, a non-profit organisation directed by Mr. John Ruggie, author of the Guiding Principles and a leader in the field. In addition to the support and joint collaboration with Shift, Inditex belongs to the *Business Learning Program*, developed by the organisation and which includes companies from different sectors that are also committed to promoting Human Rights. The group is a space for exchanging practices and lessons which drive to a real and positive change.

2020 has highlighted more than ever the importance of having a Human Rights strategy that is strong and integrated in the Company's DNA in order to provide a real, fast, flexible and sustainable response to the challenges faced by our people and the workers in our supply chain.

a) Policy on human rights

The [Policy on Human Rights](#) was approved in December 2016 by the Inditex Board of Directors, after favourable reports were issued by the Audit and Control Committee (now known as the Audit and Compliance Committee) and the Social Advisory Board. It applies to the entire Group and reflects our commitment to the promotion and respect for Human Rights. It also attests to the relevance of the contribution made to the 17 UN Sustainable Development Goals.

The Human Rights policy is based on the Universal Declaration of Human Rights, on the main ILO conventions and the UN Guiding Principles on Business and Human Rights, among others, and reflects the Group's action principles and the priority placed on rights related to our business model.



The Human Rights Policy of Inditex is based on the Universal Declaration of Human Rights, ILO conventions and the Guiding Principles on Business and Human Rights.

RESPECT FOR ALL UNIVERSALLY RECOGNISED HUMAN RIGHTS



PRIORITISATION OF RIGHTS MOST CLOSELY LINKED TO THE BUSINESS MODEL



NON-LABOUR HUMAN RIGHTS

- Respect for the rights of minorities and communities.
- Right to privacy.
- Right to health.
- Right to freedom of opinion, information and expression.
- Right to security of the person.
- Contribution to fight against corruption.
- Right to environment and water.



LABOUR HUMAN RIGHTS

- Forced or compulsory labour is rejected.
- Child labour is rejected.
- Discrimination is rejected and diversity is promoted.
- Respect for freedom of association and collective bargaining.
- Protecting workers' health and safety.
- Fair, just and favourable working conditions.

Additionally, the Sustainability Policy, which had been approved in 2015, was modified in December 2020 to reinforce the Company's commitment to respect of human rights and sustainable development as principles governing the sustainability of the Company.

b) Due diligence process

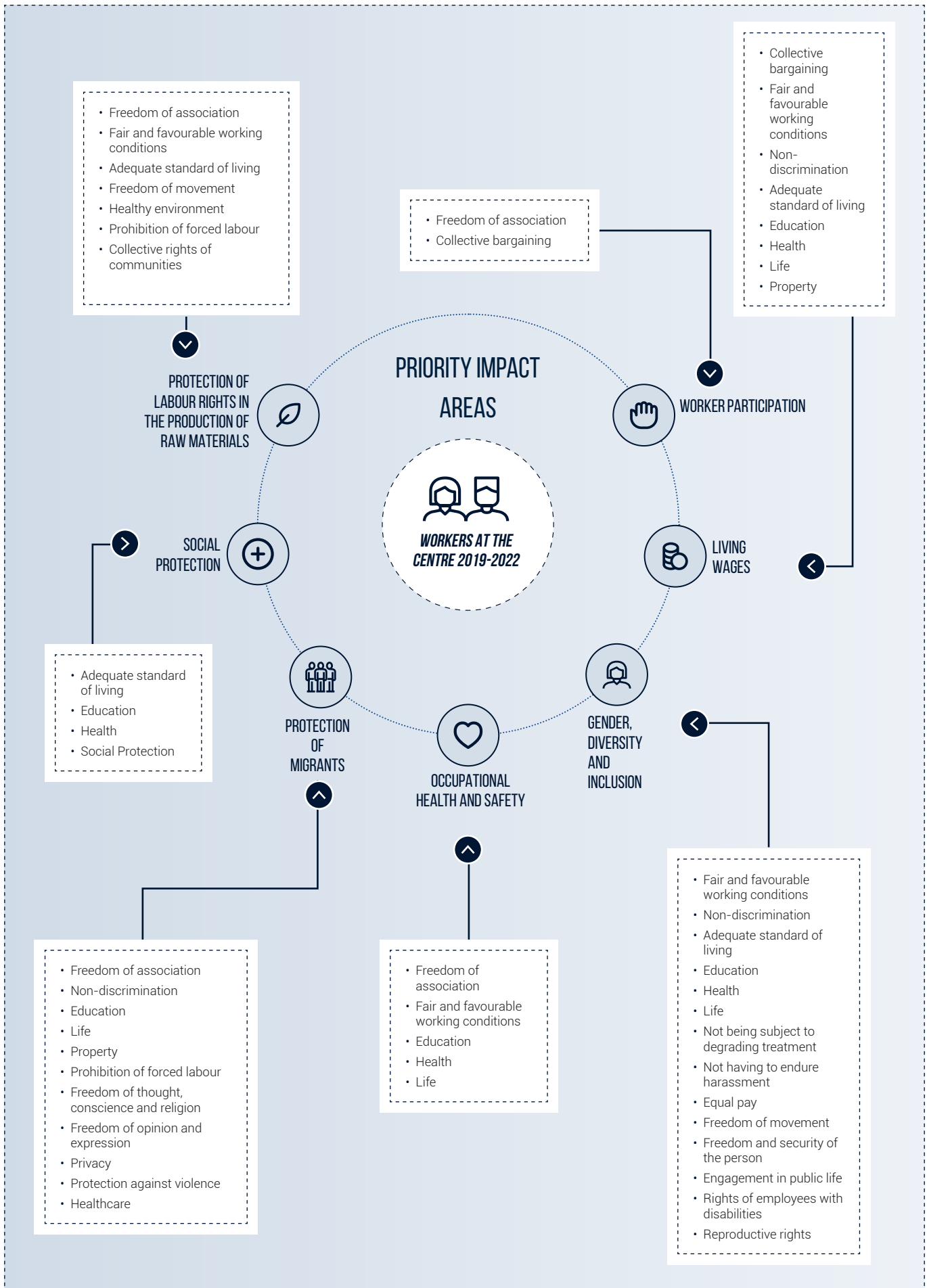
Our Human Rights' due diligence process is ⁽¹⁾ under constant review thanks to the information and interaction with our stakeholders and our sustainability teams on the ground. Proof thereof is the adaptation in 2020 of our programmes and projects, for the purpose of minimising

the impact of the pandemic on our people and on the workers in the supply chain, principally in areas like occupational health and safety.

In this regard, we have continued to address the due diligence process via our two main lines of action:


- Supply Chain: Our sustainability strategy Workers at the Centre 2019-2022, which in 2020 reached its halfway point, seeks to generate a positive impact among the workers as the main beneficiaries of its programmes and projects. The strategy came about following the due diligence process developed with Shift, where we identified the seven priority impact areas which have become its focus.

(1) These are due diligence processes that are complementary to others implemented in the Company, such as those described in the section on the Criminal Risk Prevention Model.



- Value Chain: We understand the importance of identifying the potential impacts in our value chain, beyond supply chain. In this regard, we work with different corporate areas like transportation which in 2020 and in collaboration with Shift has received training on due diligence and Human Rights and which is actively working in the development of mechanisms and strategies.

Moreover, in September 2020 we signed a public statement along with other brands and organisations to support the initiative driven by the European Commission on mandatory legislation that regulates the obligation of companies to develop due diligence processes. This legislation will help to level the playing field and to increase the legal certainty on the standards expected from businesses in terms of respect for human rights.

 For more information: https://media.business-humanrights.org/media/documents/EU_Business_Statement_Mandatory_Due_Diligence_02092020.pdf

c) Grievance mechanisms

Grievance mechanisms are a fundamental tool within our human rights strategy as they feed into the due diligence process by supporting us in identifying potential negative impacts, allowing us to respond and to mitigate any risks in advance.

Inditex's main grievance mechanism on which the Group relies is the Ethics Line available to the employees as well as any third party with a lawful interest. They can all address to the Channel, confidentially and, if need be, anonymously, any consultations and communications related to the interpretation and compliance of the internal conduct regulations. Consultations will be managed by the Ethics Committee and, if necessary, appropriate measures shall be taken to solve the detected situation.

 More information on section 1.6. *Robust Compliance architecture* of this Annual Report.

TIMETABLE OF OUR HUMAN RIGHTS STRATEGY

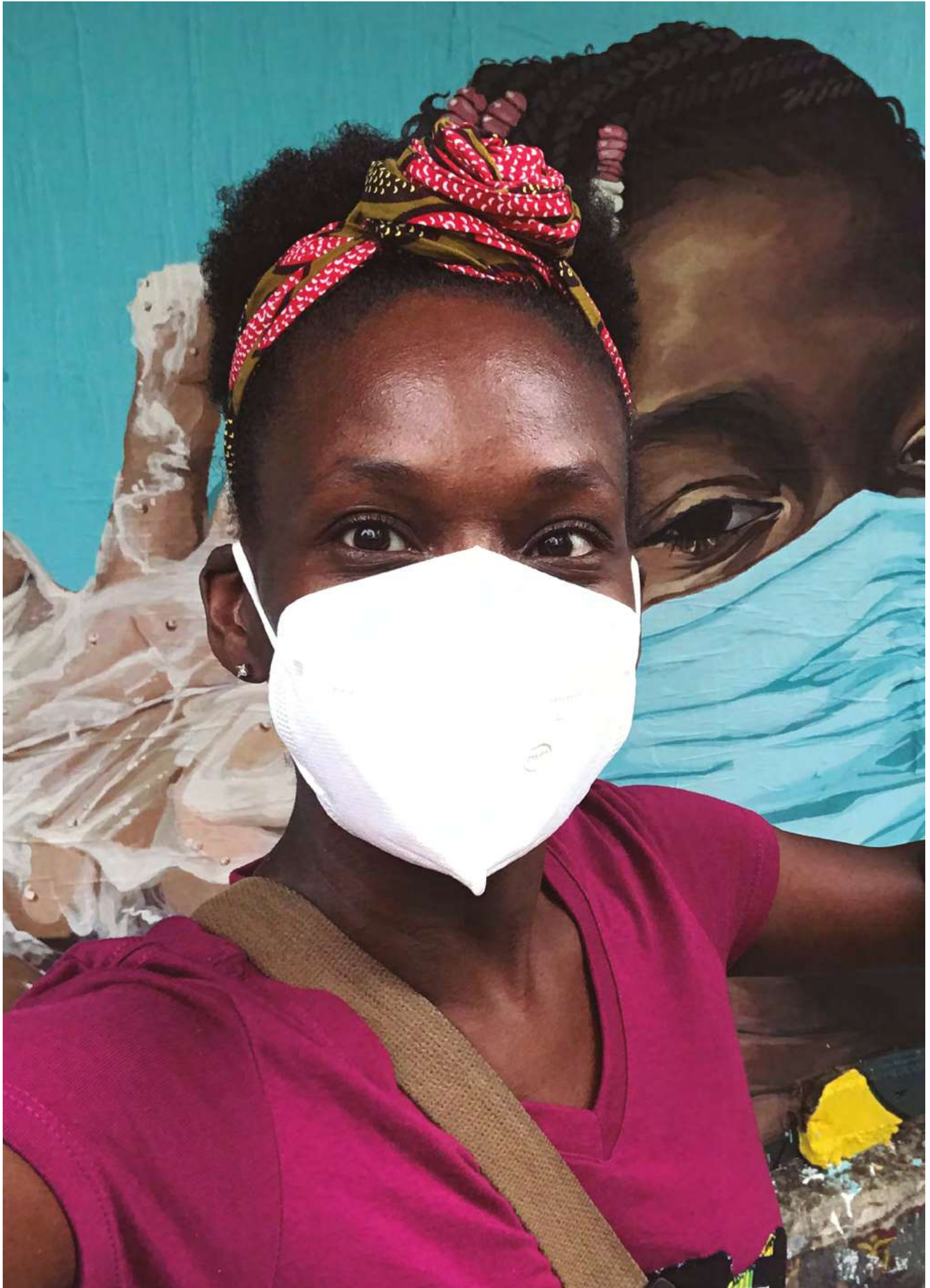






4 Collaborate

*4.1. Covid-19 donations / 4.2. Corporate Community Investment /
4.3. Partnerships and commitments with civil society / 4.4. Acknowledgements*



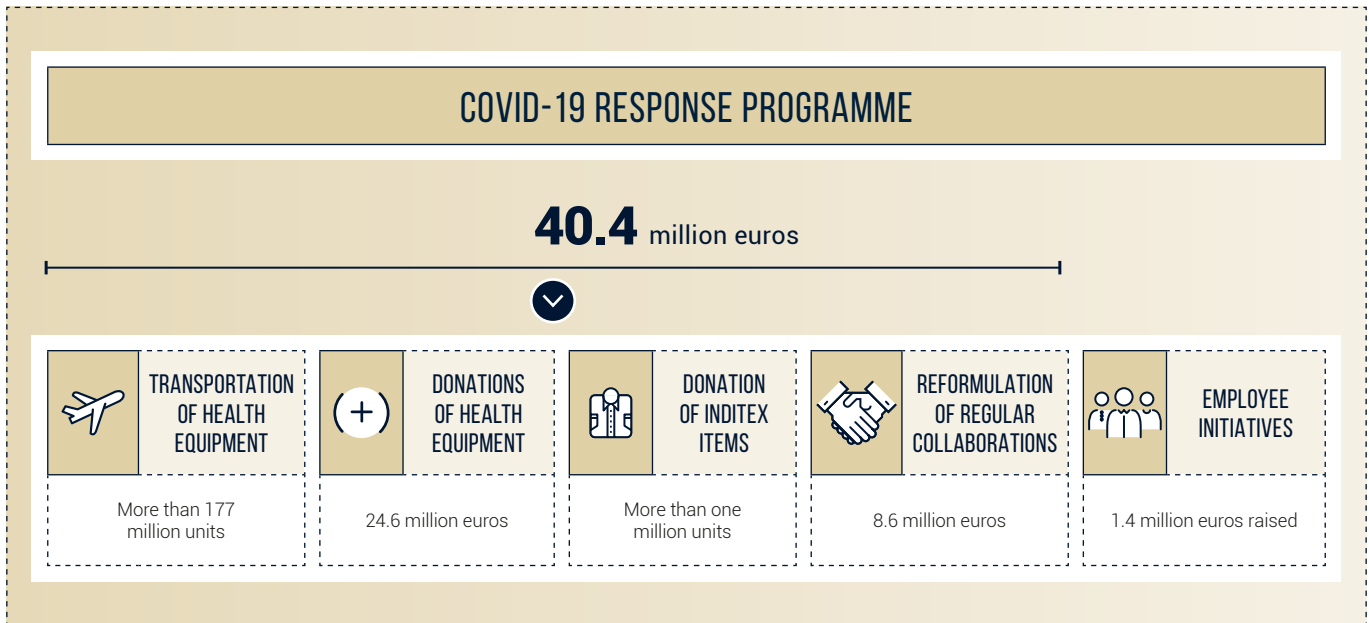
Covid-19 donations

4.1. Covid-19 donations



RELATED MATERIAL TOPICS:

VALUE CREATION;
STAKEHOLDER ENGAGEMENT



At the onset of the covid-19 pandemic, we activated a **global emergency relief programme within our community investment effort** to which we have allocated **40.4 million euros** and which has had the aim of meeting the needs of society in this situation.

In Spain, we made the Company's full logistics and procurement capabilities available to the health services, businesses and individuals for the purchase and transportation of medical supplies.

Between the purchases made by the authorities and private donors, including those made by the Amancio Ortega Foundation and Inditex itself, we have delivered over 177 million items, which were transported in 66 flights: 2,300 ventilators, 2.8 million N95/FFP2 face masks, over 120 million surgical masks, 44 million pairs of gloves, 425,000 face shields, 540,000 protective suits, 1.5 million surgical gowns, 350 hospital beds, 1.9 million tests and 17 robots to accelerate test processing.

With regard to Inditex itself, **we allocated 24.6 million euros to purchasing and donating medical supplies.** Specifically, we have provided over 24 million units of personal protective equipment, which include 463 breathing machines and ventilators, 9.7 million masks, 13.7 million pairs of gloves, over 500,000 waterproof health gowns, 100,000 safety goggles and over 200,000 sanitising gels, among others.

We have also donated to the **Galician Confederation of People with Disabilities (COGAMI) five automated production lines for manufacturing surgical masks** with a capacity to produce 15 million units per month. Thanks to this donation, valued at 1.5 million euros, COGAMI has opened a special non-profit employment centre set up entirely by Inditex, which will generate jobs for people with disabilities.

For more information, see section 4.2. *Corporate Community Investment*, subsection 4.2.4. *Key programmes*, of this Annual Report



We have allocated 40.4 million euros to the covid-19 social response programme, 24.6 million euros of which was used to purchase and donate medical supplies.

In addition, we have made **140,000 waterproof health gowns** in our own facilities which have been distributed locally via the regional authorities.

In this regard, Inditex's **participation** at UNE's request in the expert group created by the organisation to **draft the recent Spanish standard on reusable and non-reusable hygienic masks** (UNE 0064:2020 and UNE 0065:2020) together with other bodies, is worth noting. The result of this work was published and shared by UNE with standardisation organisations at European and international level.


Furthermore, we have donated **30,651 items from the Zara Home bedding collection** (blankets, sheets and pillows) to health centres and homeless shelters; and **1,020,267 items to people in need, especially affected by the pandemic**. These products have been distributed mainly through organisations with which we work on a continued basis, including charities such as the Red Cross and Cáritas and public bodies such as the city council of La Coruña, the regional governments of Galicia and Madrid and the IFEMA conference centre, among others.

In other business markets affected by the pandemic we have also made additional monetary and in-kind donations.

In China, our efforts focused on the purchase of medical supplies for distribution to hospitals, with the help of the *Tsinghua University Education Foundation* and the *Hubei Provincial Charity Federation*. Thanks to this collaboration, more than 2.5 million items of personal protective equipment have been donated.

Similarly, **in Brazil, the US, Italy, Mexico, Portugal, the UK and Romania** we have made a number of additional donations to charities such as the *Fundo Social de Sao Paulo* (Brazil); *New York Presbyterian Hospital*, *American Red Cross*, *The Door - A Center of Alternatives* and *the Food Bank For New York City* (USA); *Croce Rossa* and *Fondazione Costruiamo il Futuro* (Italy); *Médicos Sin Fronteras* and *Alianza por el Centro Histórico* (Mexico); *Cruz Vermelha* (Portugal); *Women's Aid* (UK); and *Hospice Casa Sperantei* and *World Vision* (Romania), among others.

In addition, in coordination with a number of non-profit organisations with whom we work regularly, **we have reformulated our collaboration programmes** to help them address the new needs emerging around the world as a result of the pandemic. Those initiatives focused primarily on **education in the context of the health emergency, prevention and awareness campaigns, food security and humanitarian relief**, framed by our long-standing alliances with organisations including *Entreculturas*, *Cáritas*, *Medicus Mundi*, *Every Mother Counts*, *Water.org* and *MSF*.

 For more information, see section 4.2. *Corporate Community Investment* of this Annual Report

- With **Entreculturas** we redirected funds allocated to the *EPGO (Educating People, Generating Opportunities)* and *En las Fronteras Colombia* programmes in order to purchase equipment to help plug the digital divide which has left thousands of children and young people out of the education system; adapt and distribute educational materials for remote learning purposes; raise awareness about the hygiene measures needed to prevent transmission; provide psychosocial support to people during lockdown; and give out food and hygiene kits. *Entreculturas* is currently providing this aid in the following 13 markets under the scope of its cooperation with us: **Argentina, Brazil, Bolivia, Colombia, Ecuador, Spain, Lebanon, Mexico, Paraguay, Peru, South Africa, Uruguay and Venezuela**.
- **Water.org** has bolstered a number of **initiatives with its local partners** in Bangladesh, Brazil, Cambodia and India to shore up prevention and hygiene in vulnerable regions and ensure the granting of microloans to fund access to drinking water and sanitation.
- Our collaboration with **Every Mother Counts (EMC)** provides quality, equitable, and safe maternity care to pregnant women in **Bangladesh, India and United States**. As covid-19 has exacerbated the existing maternal health crisis, making it even more difficult for women to give birth safely and with dignity, EMC has expanded and deepened its support to meet the needs of mothers, their families, and those who care



for them on the frontline. Inditex's grant has helped EMC to mobilise response efforts in communities especially affected by the pandemic, including providing education and telehealth support to expectant mothers and supporting the care workforce directly.

- As for our programme with **Medicus Mundi** in **Morocco**, we have worked with the regional health department in preventing the transmission of covid-19 and lent support to garment sector workers in Morocco who have been affected by this crisis.
- With regard to our collaboration with **Cáritas**, with whom we work on training and employment

initiatives in **Spain**, we have been supporting skills training projects to mitigate the economic impact of the pandemic on the most vulnerable. We have supported **alternatives for the provision of online learning and covered the expenses of adapting in-person training** for the necessary safety measures. We have also layered digital skill modules into all the training initiatives. In addition, we have guaranteed the continuity of the **Cáritas Integration Companies**, which generate safe jobs for people in a situation of exclusion. Many companies had to stop their business activity during the state of emergency and reorient them towards supporting the social needs emerging in Spain in the wake of the pandemic.



- The final point of note is our continued financial contribution to the **Emergency Desk operated by Médecins Sans Frontières (MSF)**. Made up of a central structure in Spain and regional teams in the **Democratic Republic of the Congo, Central African Republic and Ethiopia**, it has been battling the emergency since the onset of the pandemic. Its intervention in Spain and globally focus on three lines of work: supporting the health authorities in **providing care to patients with covid-19, protecting vulnerable and at-risk individuals, and maintaining essential medical services**. At Inditex we have been financing MSF's emergency relief budget on a sustained basis since 2011. In 2020 we also supported its healthcare access projects for the

Rohingya refugee community in **Bangladesh** and the migrant population in **Mexico**. MSF's work in these areas is centred around providing the best care and treatment possible to patients with covid-19 and other medical problems. Collaboration with the authorities, the WHO and other key healthcare players on curbing the spread of the virus has also been promoted.

Beyond the donations made by the Company, we have also launched various initiatives aimed at facilitating employees' voluntary contributions to the global effort in fighting against the pandemic. As a result, these **initiatives led by our staff have raised over 1.4 million euros through charitable initiatives** in the vicinity of our headquarters.



Corporate Community Investment

4.2. Corporate Community Investment



RELATED MATERIAL TOPICS:

VALUE CREATION;
STAKEHOLDER ENGAGEMENT



Our Corporate Community Investment (CCI) programme encompasses the activities that illustrate the commitment to contributing to social development, especially in geographic areas where we operate. These initiatives comply with the following principles:

- They are voluntary. CCI should be something that a business chooses to do. There should be no legal or contractual obligation for a company to have contributed to a particular activity.
- They are charitable. CCI should support an organisation or activity that is recognised in its geographical location and cultural context as having a clear charitable purpose. Usually the supported organisations will be formally recognised as charities but can also include schools, universities, government departments or social enterprises.

In this regard, we understand investing in social programmes as an **opportunity to contribute to the United Nations 2030 Agenda for Sustainable Development** through the application of our business resources, both cash and in-kind, and the time of employees that make up our staff.

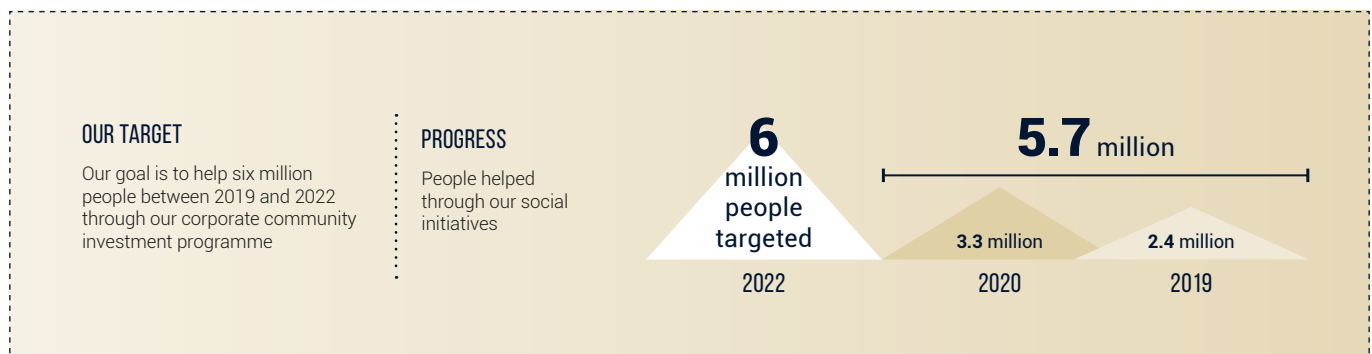
Our group-wide strategy in place regarding social programmes is addressed in the Corporate Citizenship Policy, which is available on our website. In addition, Inditex's investment in the community generally involves collaborating on specific projects.

As a result, we prioritise long-term strategic projects for specific activities, in collaboration with non-profit organisations and always subject to a thorough monitoring and accountability process, rather than charitable gifts for the general objectives of these organisations. Meanwhile, we subject each CCI initiative to a thorough process to measure inputs, outputs and impacts. For such purposes, at Inditex we use, among others, the *Business for Societal Impact* methodology (B4SI), formerly known as LBG, based upon the following fundamental criteria:

- Careful assignment of contributions in the community.
- Measuring outputs achieved.
- Evaluating the impact of the components of the project separately, in order to assess, on the one hand, the origin of benefit, and on the other, the programme as a whole.

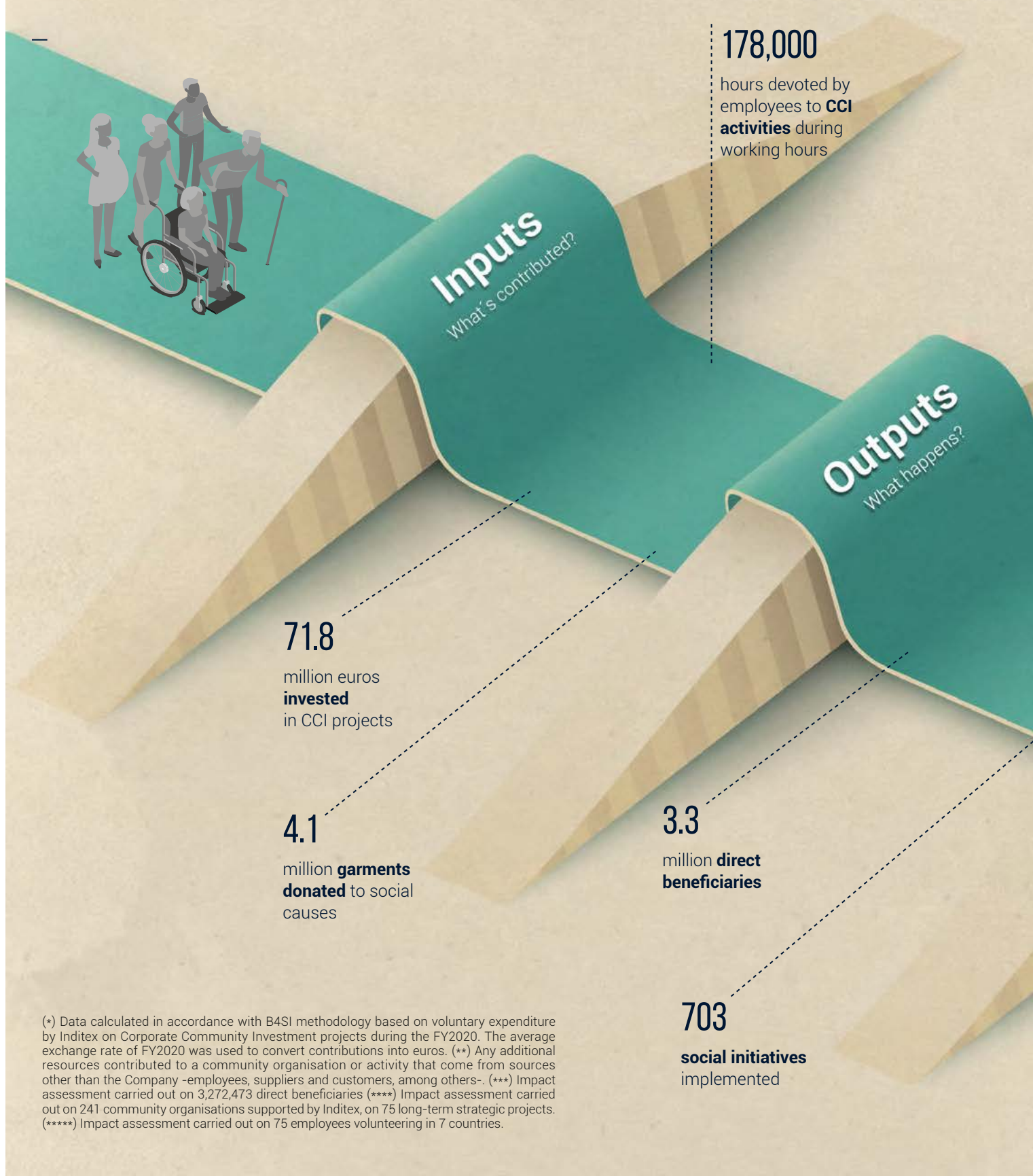
In 2020 our CCI programme has been implemented by launching 703 social initiatives that have directly benefited more than 3.3 million people. In a year shaped by the covid-19 pandemic we have intensified our efforts, especially in health-related activities, allocating over 71.8 million euros to social projects, 46% more than the previous year. **The total contribution to covid-19 related community investments amounted to 40.4 million euros.**

For more information, see section 4.1. Covid-19 donations of this Annual Report.





Corporate Community Investment 2020(*)



(*) Data calculated in accordance with B4SI methodology based on voluntary expenditure by Inditex on Corporate Community Investment projects during the FY2020. The average exchange rate of FY2020 was used to convert contributions into euros. (**) Any additional resources contributed to a community organisation or activity that come from sources other than the Company -employees, suppliers and customers, among others-. (***) Impact assessment carried out on 3,272,473 direct beneficiaries (****) Impact assessment carried out on 241 community organisations supported by Inditex, on 75 long-term strategic projects. (*****) Impact assessment carried out on 75 employees volunteering in 7 countries.

439

community organisations supported

38.5

million euros leveraged**

Impacts
What changes?

Impact on people - type
(***)

11% behaviour or **attitude change**

2% **skills** or **personal effectiveness**

35% **quality-of-life** or **well-being**

Impact on employee participants
(****)

95% Improved **job-related skills**

100% Improved **personal well-being**

100% **Changed** their behaviour

Impact on community organisations
(****)

100% Improved or new **services**

89% Improved **management processes**

81% Reached more or more **time with clients**

87% Taken on more **staff** or **volunteers**

87% Increased their **profile**

Impact on people - depth
(***)

66% **connection**

24% **improvement**

10% **transformation**



Corporate Community Investment 2020

46%

Increase in Corporate Community Investment (CCI).

In a year marked by the covid-19 pandemic, we have significantly increased our investment in the community, reaching 71.8 million euros.

INCREASE IN INVESTMENT

COLLABORATION BEYOND CASH CONTRIBUTION



46% increase time contributions by employees

29% increase garments donated to social causes

Beyond cash contributions - which increased by 51% on the previous year -, Inditex has boosted in-kind contributions - which increased 29% - as well as time contributions by employees to community activities during working hours, which grew by 46%.

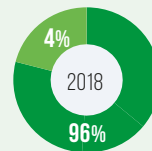
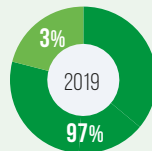
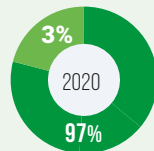
97%

contributions driven by strategic investment

By adopting a more strategic and proactive approach, we maximise the effectiveness and impact of our social programmes

MAXIMISING THE EFFECTIVENESS OF CONTRIBUTIONS

FOCUS ON STRATEGIC COMMUNITY PROJECT



- charitable gifts
- strategic investment

For yet another year, we have focused investment on proactive strategic projects community investment and commercial initiatives in the community, as opposed to charitable gifts in response to short-term or one-off events.

94%

of the investment targeted towards the six SDGs linked to our activity.

ALIGNMENT WITH SDG'S AND COMPANY'S BUSINESS DRIVERS

92%

of the investment implemented in strategic geographical areas.

WE FOCUS OUR INVESTMENT TO INCREASE IMPACT

SDG's:

94% of the investment is focused on social initiatives with SDGs 3, 4, 5, 8, 10 and 12 as their main objective.

Location of activity:

Inditex has targeted 92% of its corporate community investment to projects carried out in strategic geographical areas, both in supplier cluster locations – 74% – and store location markets – 88%.

5%

INCREASING SCOPE

Increase in the number of CCI projects developed.
In 2020, 703 community projects have been developed, representing an increase of 5% compared to the previous year.

INCREASE IN THE NUMBER OF DIRECT BENEFICIARIES



36% People



4% Community organisations

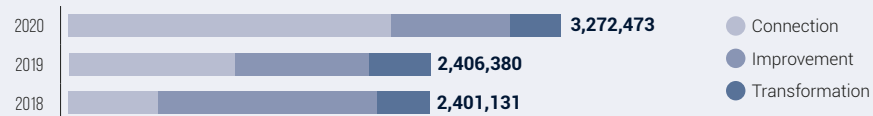
In 2020, CCI projects have benefited 36% more people compared to the previous year, directly reaching more than 3.3 million people. Likewise, the number of beneficiary community organisations has increased to 439, 4% more than the previous year.

36%

MAKING GREATER IMPACT

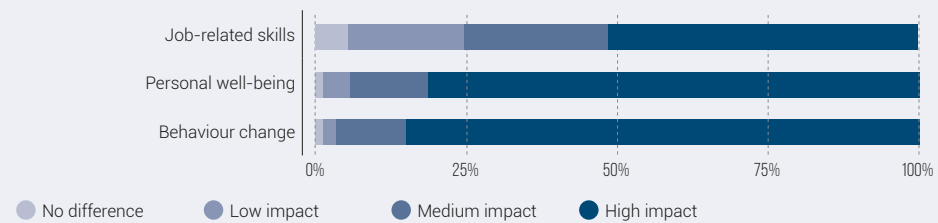
increase in the number of direct beneficiaries included within the impact assessment. The scope of the impact assessment has been increased, reaching 3,272,473 people – 99% of the total number of beneficiaries – compared to 2,406,380 in the previous year.

IMPACT ON PEOPLE (depth)

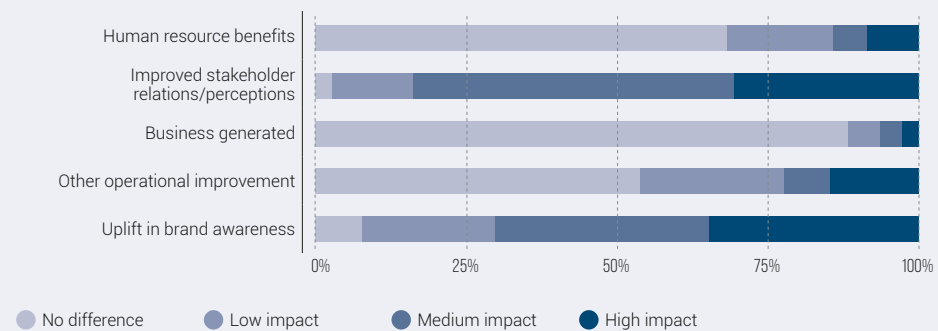


In addition to the impact assessment on the community, both on people and on community organisations, we analyse the Company's return on investing in social programmes from the perspective of the participating employees and the business itself.

IMPACT ON EMPLOYEE PARTICIPANTS



IMPACT ON THE BUSINESS



INPUTS

OUTPUTS

IMPACTS



In 2020, we launched 703 social initiatives that have directly benefited more than 3.3 million people.

4.2.1. Inputs

In 2020, Inditex allocated 71.8 million euros to social initiatives. This figure represents more than 5% of pre-tax profits.

As for the form of contributions, the information is classified into the following categories:

- **Cash** contributions, which is the aggregate amount invested by Inditex in social programmes together with non-profit organisations.
- **Time** contributions, which is the proportional cost to the Company of employees' time paid by the Company but spent on community activities of a social nature during working hours.
- **In-kind** contributions, which include donations of products –garments, mainly– to charities.
- **Management costs**, which refer to estimated expenses which are incurred by the company for general management of social programmes.

In 2020 we have significantly increased cash contributions compared to previous years. In addition, in line with the strategy defined in our Corporate Citizenship Policy, we have considerably boosted the time contributions of employees during working hours and the in-kind contributions.

As a result, **we have donated over 4.1 million items to social causes, and our employees have spent more than 178,000 working hours on social initiatives, many of which aimed to mitigate the negative effects of the pandemic.** General management costs have also grown as a consequence of the increased contributions.

Likewise, we at Inditex report our voluntary contributions to the community, according to the following classification:

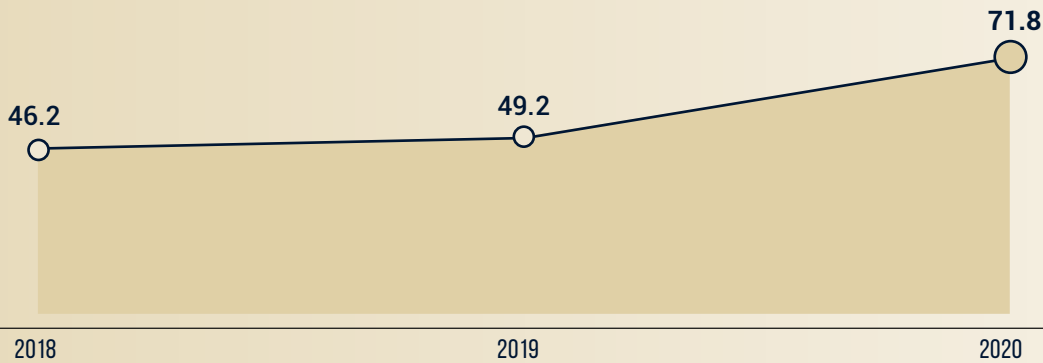
- **Charitable gifts**, which consist of institutional donations to the general goals of non-profit organisations.
- **Community investment**, as part of the long-term strategic commitment in collaborations with the community to support specific social activities.
- **Commercial initiatives in the community**, which are initiatives of social interest directly related to the company's retail activity.

In 2020, contributions considered strategic (community investment and commercial initiatives in the community) have increased significantly, with the aim of continuing to maximise the effectiveness of our social projects in line with the strategy outlined in our Corporate Citizenship Policy.

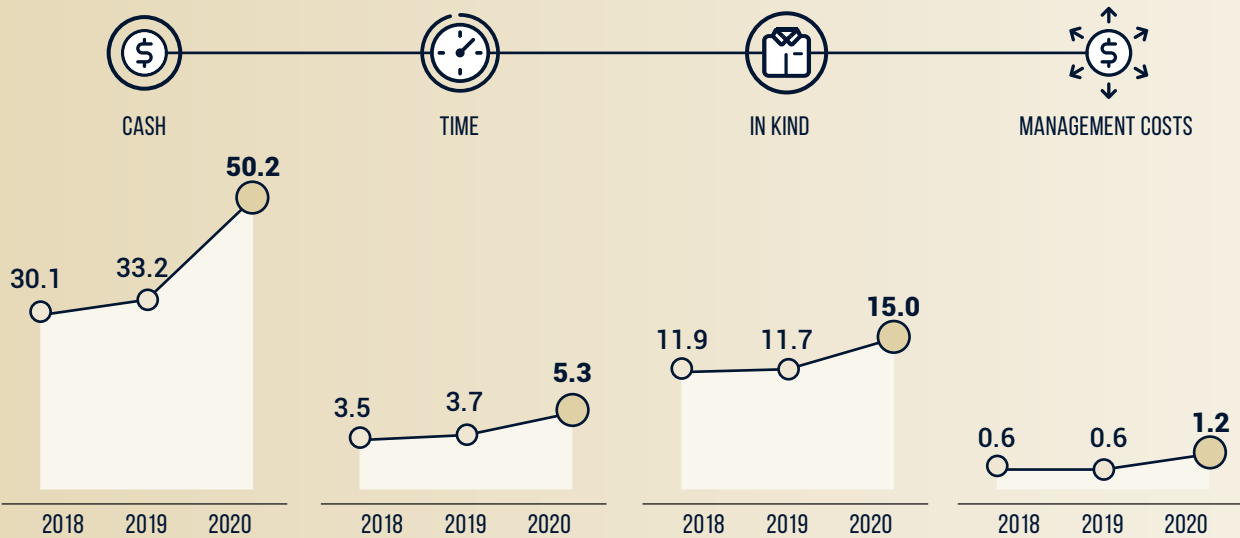


EVOLUTION OF CORPORATE COMMUNITY INVESTMENT 2018 - 2020

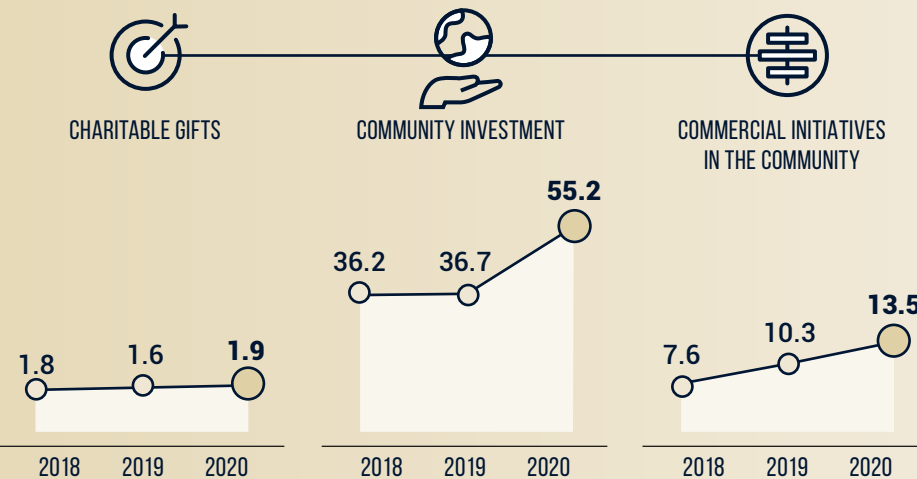
TOTAL CORPORATE COMMUNITY INVESTMENT (IN MILLIONS OF EUROS)



BY FORM OF CONTRIBUTION (IN MILLIONS OF EUROS)



BY DRIVER FOR CONTRIBUTION (IN MILLIONS OF EUROS) (*)



Charitable gifts: one-off institutional donations to the general goals of community organisations.

Community investment: Long-term strategic commitment in partnerships with the community to support specific social activities.

Commercial initiatives in the community: Initiatives of social interest directly related to the Company's retail activity.

(*) Excluding management costs.

As for issues addressed, **34% of our corporate community investment was made, extraordinarily, towards the health sector**, by donating medical supplies due to the health crisis.. With respect to the focus areas defined in the Corporate Citizenship Policy, 56% of the investment in social programmes has been used in activities related to social welfare, education and emergency relief.

With regard to the territories where social programmes are implemented, **our Company gives priority to regular contributions to the communities made at corporate level in such geographic areas where the Group operates**, namely at Inditex clusters (defined and listed in section 2.7. *Contribution to the socio-economic development of workers and the industry*, of this report). Likewise, the Group's subsidiaries act within their borders in terms of social programmes, implementing projects in proximity that maximise the positive impact thereof within their

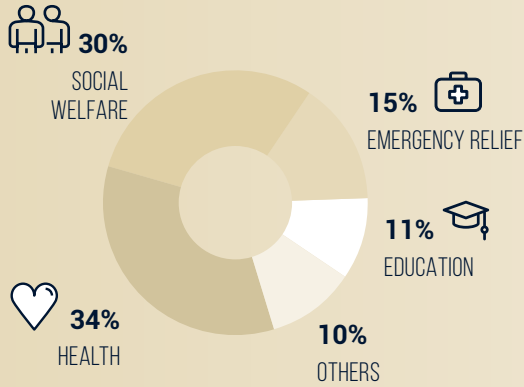
sphere of influence. As a result, we have targeted 92% of the community investment to projects carried out in strategic markets, in terms of supplier cluster locations – 74% – and our store localisation markets – 88% –. The investment in social programmes broken down by location of activity is as follows:

As for the contribution made by Inditex to the UN Sustainable Development Goals, the primary and secondary SDGs, where applicable, were identified for social initiatives developed over the year. As a result of the pandemic, **during 2020 the activity in community investment has focused on SDG 3**. In addition, and in line with our activity, **we have contributed significantly to SDGs 4, 5, 8, 10 and 12**. Specifically, we have allocated 94% of corporate community investment to social initiatives that have had one of these SDGs as their main objective.

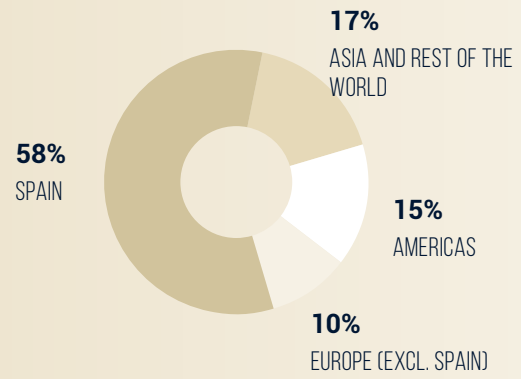


DISTRIBUTION OF CORPORATE COMMUNITY INVESTMENT 2020

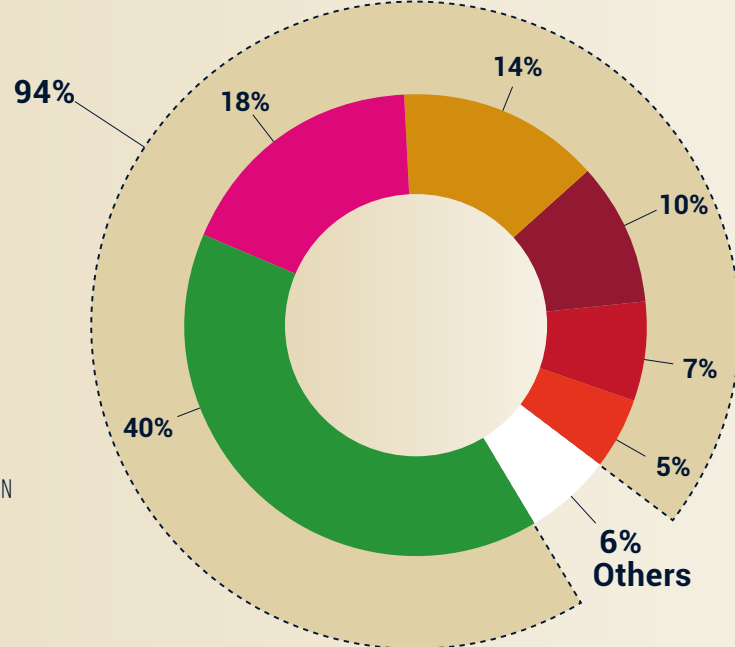
BY ISSUE ADDRESSED (*)



BY GEOGRAPHICAL AREA (*)



BY SDG



(*) Excluding management costs.



The Dow Jones Sustainability Index 2020 named Inditex the leading Company in its sector in the corporate citizenship and philanthropy category.

4.2.2. Outputs

In 2020, we launched **703 social initiatives**, compared to 670 in the previous year. These initiatives **have directly benefited 3,313,581 people**, 36% more than in the previous year.

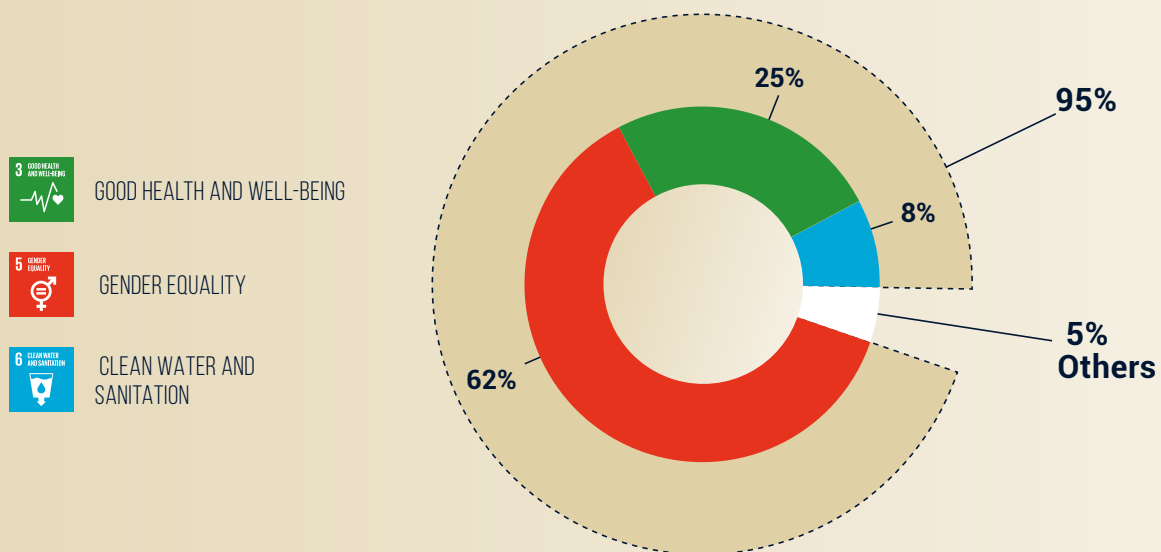
In 2020, the primary (and secondary, where applicable) SDG was identified in relation to the 3,313,581 direct beneficiaries, corresponding to 104 initiatives on which outputs have been measured. Based on this analysis, 95% of beneficiaries – more than 3.1 million people – participated in initiatives with SDGs 3, 5 and 6 as the main objective.

With respect to the **number of community organisations supported** by Inditex in 2020, we have contributed to a total of 439 entities (see sections 4.1. Covid-19 donations

and 4.2. Corporate Community Investment, subsection 4.2.4. Key programmes). In 2019 and 2018, the number of beneficiary community organisations stood at 421 and 413 respectively

With regard to the **leverage**, the additional resources raised by our social programmes as a result of the contributions made from sources other than the Company – employees, customers, etc. – amounted to 38.1 million euros in 2020. Most of the leverage generated refers to the Water.org initiatives -through the additional capital mobilised by microfinance institutions- and *Moda Re-* -through the value of collected clothing- and the donations made by our employees through payroll giving schemes.

DISTRIBUTION OF DIRECT BENEFICIARIES BY SDG 2020



4.2.3. Impacts

a) Impacts on the community

Impact on people

We analyse the effects on beneficiaries resulting from social programmes implemented, both in terms of depth and of type of impact.

In terms of the **depth of the impact**, the effects the projects have on beneficiaries are broken down into the following three categories, where the numbers recorded under each of the depth of impact level are mutually exclusive:

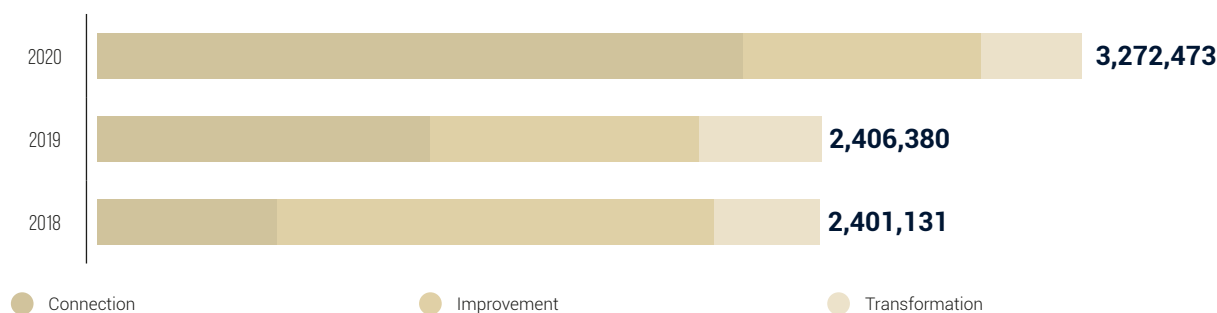
- **Connection**: the number of people reached by an activity who have reported some limited change as a result of an activity.
- **Improvement**: the number of people who have experienced a substantial improvement in their lives as a result of the project.

- **Transformation**: number of people who have reported an enduring change in their circumstances, or for whom a change has been observed, as a result of the improvements made.

With regard to the **type of impact**, the changes experienced by beneficiaries are broken down into the following three categories, and the same beneficiary can experience more than one type of impact:

- **Positive change in behaviour or attitude**, meaning that the activity contributed to generating behavioural changes that improve people's lives. Likewise, it means the activity has enabled a change in negative attitudes or prejudices, and has helped people to make better decisions.
- **Development of skills**, meaning that the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, socially or physically.
- **Improvement in quality of life**, meaning that the activities have helped people to be healthier or happier by improving their physical, emotional or social well-being.

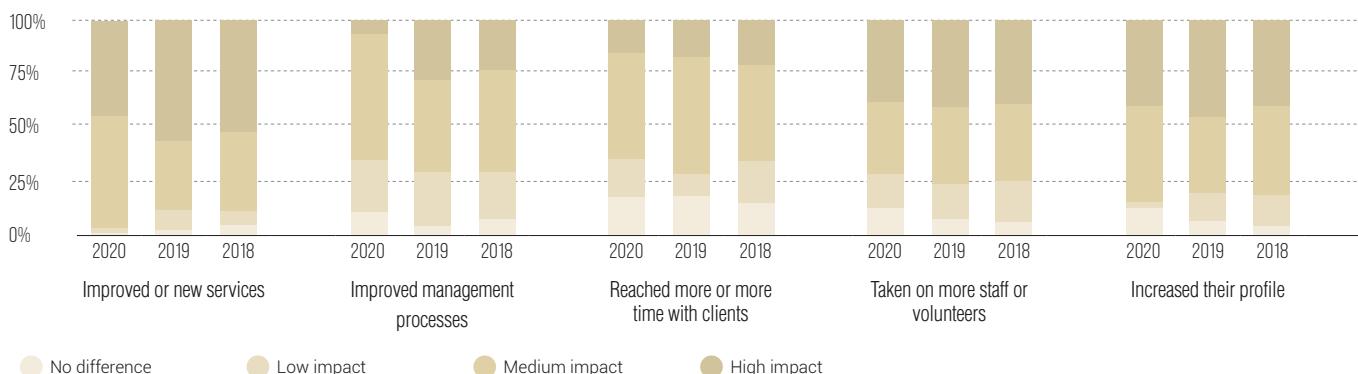
IMPACT ON PEOPLE (DEPTH)



IMPACT ON PEOPLE (TYPE)



In addition to analysing the impact of our social projects on individuals we assess the effects on the community organisations that benefit from the implemented community investment projects.



2020: Assessment carried out on 241 community organisations supported by Inditex on 75 long-term strategic projects.
 2019: Assessment carried out on 207 community organisations supported by Inditex on 72 long-term strategic projects.
 2018: Assessment carried out on 237 community organisations supported by Inditex on 81 long-term strategic projects.

b) Business impacts

In addition to assessing the impact on the community, on both people and community organisations, we analyse the Company's return on investment in social programmes from the perspective of the participating employees and the business itself.

Impact on employees

- The **impact on participating employees** refers to the change produced once the social initiative promoted by the Company has been completed. The methodological framework we use asks by means of surveys, regarding 15 sub indicators to calculate the impact on participating employees and gathers them in three key indicators: development of skills, personal improvement and positive change of perception in the Company.
- **Job-related skills:** improvements in core, job-related competencies such as communications, teamwork or leadership skills.
- **Personal impact:** changes in areas like self-confidence, job satisfaction and pride in the Company.
- **Behaviour change:** changes in behaviour such as increased volunteering or being a more vocal advocate of the Company.

Impact on the business

With regard to the impact on the Company itself, we analyse the return according to the following five areas:

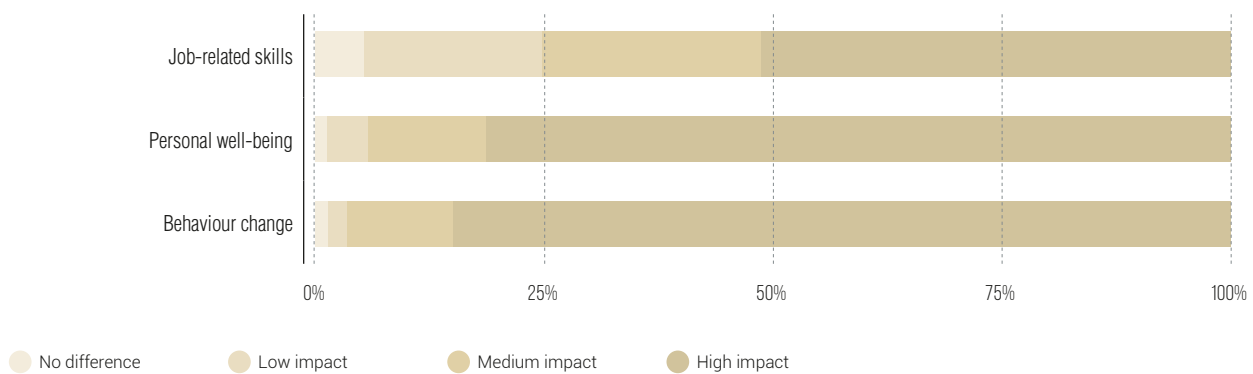
- **Human resource benefits:** improvements to the business through engagement, recruitment and performance linked to community activity.
- **Improved stakeholder relations/perceptions:** improved the perception of external stakeholders, especially opinion formers, as a result of community engagement.
- **Business generated:** contribution to new business such as increased sales tied to cause-related marketing or new market opportunities.
- **Other operational improvement:** increased resilience in the supplier and/or distribution chain, among others.
- **Uplift in brand awareness:** generation of business benefit through an uplift in brand awareness via, for example, increased media coverage or public awareness.



In 2020 we have strengthened the impact measurement of our CCI programmes, both in the community and in the Company.

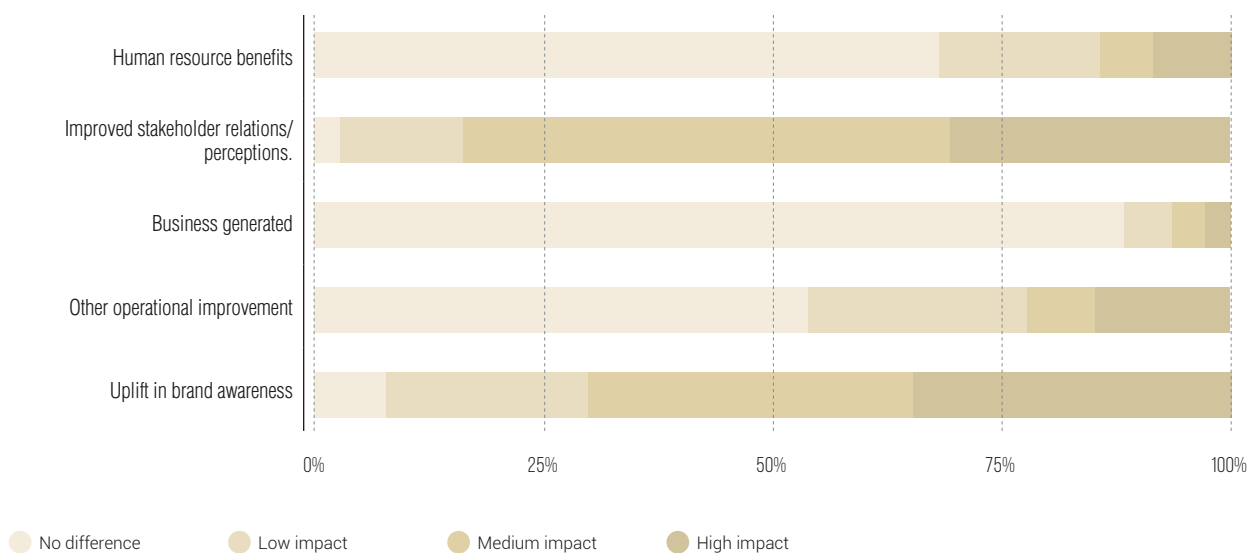
IMPACT ON EMPLOYEES

2020: Impact assessment carried out on 75 volunteers in 7 countries.



IMPACT ON THE BUSINESS

2020: Impact assessment carried out on 703 initiatives launched over the year.

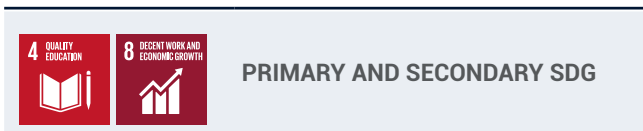


4.2.4. Key programmes



a) Education

EPGO III



The EPGO III Programme (Educate People, Generate Opportunities) was launched in 2020 as a three-year initiative that sets forth the collaboration between Entreculturas and Inditex along three lines of action: education, employment and humanitarian aid. **The programme aims to expand the opportunities of more than 200,000 people, especially girls and women.** In the third edition of EPGO, Spain joins the list of the participating countries (Argentina, Bolivia, Brazil, Ecuador, Lebanon, Mexico, Paraguay, Peru, South Africa, Uruguay and Venezuela) in four projects focused on vulnerable groups and those at risk of social exclusion.

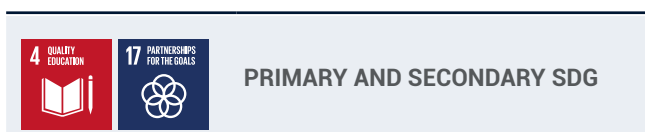
The impact of the pandemic and the imposed restrictions in all countries underscored the first year of the programme and have created new needs and challenges in the population being served. It is estimated that covid-19 has led to an educational crisis affecting 91% of the school population, and various consequences have come with it, including food insecurity in children, a lack of safe spaces and a widening digital divide. For this reason, EPGO III Programme projects have been adapted to respond to new issues.

Throughout the year, Entreculturas and its partners on the ground have assisted 76,667 people with the support of Inditex. Of these, 14,972 have accessed quality education, 12,569 have received vocational training, 4,056 have received healthcare and 4,009 have obtained employment, among others.



Through our partnership with Entreculturas, more than 70,000 vulnerable young people have directly benefited from the EPGO III programme in 2020.

Chair of Refugees and Forced Migrants



Since its creation in 2016, the Inditex Chair of Refugees and Forced Migrants at the Comillas Pontifical University has conducted a range of activities related to research, field work, dissemination and awareness on migratory phenomena.

On the one hand, collaboration with organisations working on the ground with forced migrants and refugees is ongoing. As a result, in 2020, a total of 17 postgraduate students from master's programmes in cooperation and migration completed internships at national and international organisations – SJR, Entreculturas, SJM – in order to work directly with migrants in countries such as the D.R. Congo, South Africa, Ethiopia, Cameroon, Belgium, Greece, Spain, and others.

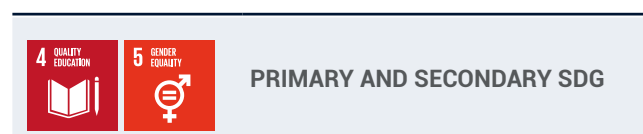
The Chair has also begun research into understanding the reality of refugees and migrants and improving the programmes and projects working on their behalf. The Chair is a pioneer in the study of the integration process and the official reception system in Spain. A second line of ongoing research has to do with a national survey of refugees and immigrants in Spain. On the other hand, the Chair is currently in the phase of analysing the results of extensive research on coexistence and/or conflict between the native population and immigrants in working class neighbourhoods. Finally, a survey of refugees and migrants is being prepared to expand the field of study.

Three doctoral theses are also underway on related topics: social and labour integration of migrants in rural areas; integration and social capital; and a gender-based analysis of the Spanish refugee reception and integration system. All are being carried out in collaboration with research centres – Deusto, Harvard University, Oxford University, Ramón Llull University, and others – and with social

organisations – SJM, Cáritas Española, OXFAM Intermón, the Mexican Embassy in Spain, Save the Children, and others – in order to guarantee academic quality and that results are disclosed to society.

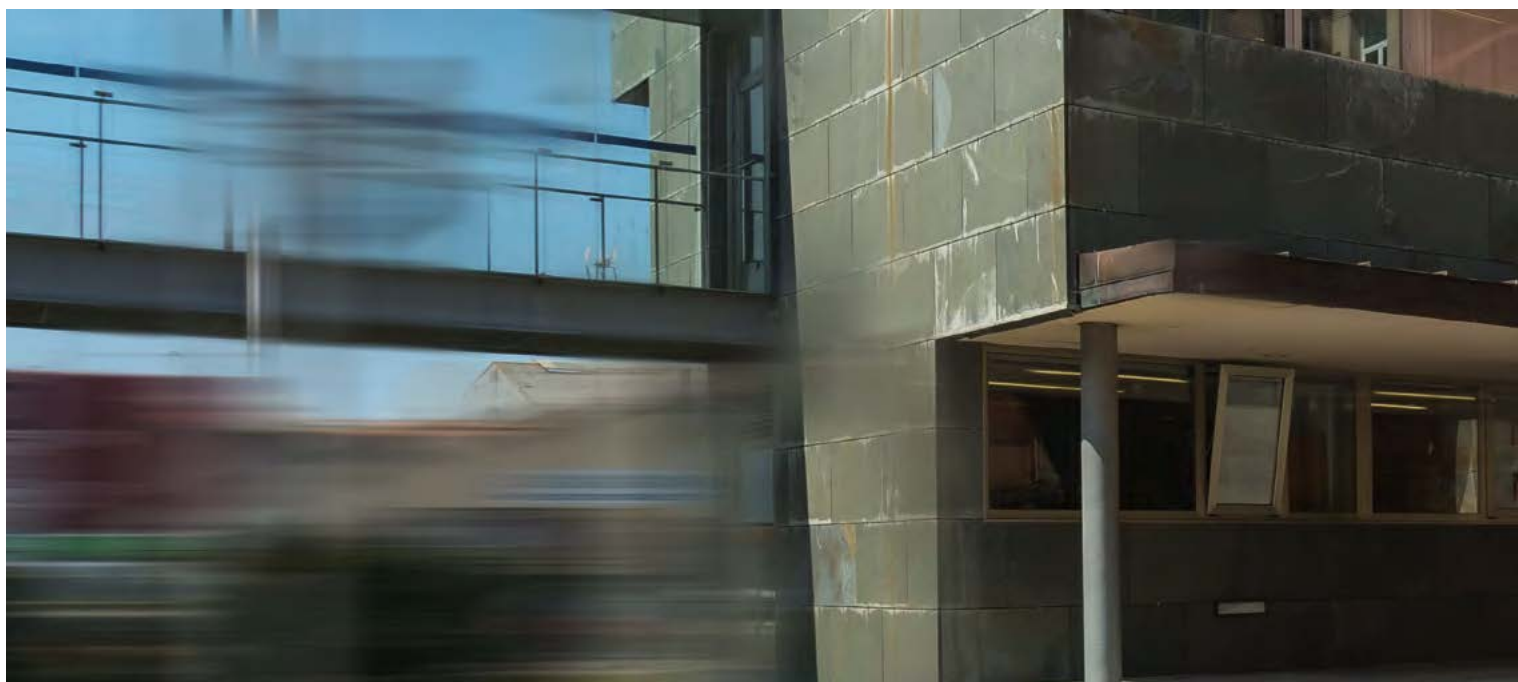
The Chair has been highly active in raising awareness and transferring knowledge on the matter through various means: national and international conferences, presentation of results, media presence and a permanent seminar on refugees featuring participation by the main social and academic organisations in the sector, among others. The seminars cover diverse and current subjects from policies and practices in the United Kingdom to guaranteed minimum income and regularisation processes in Spain.

Chair of Spanish language and culture

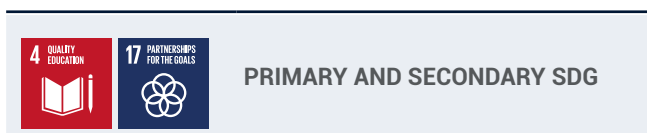


The Inditex Chair of Spanish language and culture at the University of Dhaka (Bangladesh) is a cooperation project between the local university and the Universities of A Coruña and Santiago de Compostela. It has been active in Bangladesh since 2011 and has a staff of five Spanish teachers and two local teaching assistants who are being trained by the professionals in charge of the project.

Currently, **the Chair teaches Spanish to 520 Bangladeshi students, half of whom are women, and organises cultural activities open** to all students at the University of Dhaka and wider society. The health emergency resulting from the covid-19 pandemic forced the University of Dhaka to cancel its activities in March 2020 and create alternative online courses. The pandemic has also affected cultural activities, which have been reduced to a Hispanic study seminar, several workshops and a concert.



Inditex-UDC Collaboration programmes



InTalent

The *InTalent* Programme was launched by the University of A Coruña (UDC) and funded by Inditex to recruit, reward – where applicable – and manage excellent research talent. To do this, postdoctoral researchers with international projection and broad experience are recruited on a competitive basis from anywhere in the world.

Researchers who enter the programme must demonstrate a minimum of three years of postdoctoral experience, at least two years of international experience in renowned R&D centres, an excellent research career, the ability to generate new knowledge, potential as independent researchers and a promising scientific career.

InTalent offers selected researchers a contract with a competitive salary to provide professional stability and a budget allocated for their project. Researchers will also teach UDC undergraduates and postgraduates and collaborate with the institution on outreach activities.

Three selection processes were carried out during the first four years of the programme, featuring the participation

of 316 researchers of 48 different nationalities. The six researchers selected are renowned scientists in fields as diverse as the biomedical development of smart sensors for degenerative diseases and nanomaterials for cell regeneration; the acquisition of biomaterials for the regeneration of cartilage in humans; social anthropology in rural communities; historical disruptions in the process of transforming medieval culture into modern culture; gender inequality in the public sphere; and exploring rendering and lighting techniques for scientific visualisation.

InTalent researchers have managed to access external sources of funding through excellent science programmes, which will bring UDC nearly seven million euros in revenue. This represents a return of nearly five euros for every euro invested in the programme.

In addition, thanks to the traction of the *InTalent* Programme, UDC has improved its position and appeal when it comes to attracting new researchers. This has been reflected in two ways: greater interest from researchers in emphasising UDC and a higher number of applications submitted by the University to highly competitive individual calls.

Grants for pre-doctoral stays abroad

The Inditex-UDC Predoctoral Travel Grants Programme has been in place since 2013 under the collaboration agreement between UDC and Inditex for the internationalisation of doctoral studies.

The grants fund predoctoral research residencies in universities and research centres abroad, with the aim



of complementing students' doctoral training and giving them the opportunity to obtain an International Doctorate Mention. **In addition, this programme reserves 5% of grants for students with disabilities in order to promote diverse and inclusive research environments.**

Since its inception, 206 students from UDC's doctoral programmes have completed their residency in 27 countries around the world, mostly in Europe and America (United States, United Kingdom, France, Germany). This makes it a strategic programme aimed at the internationalisation of UDC research groups, as it lays the groundwork for partnerships with other research teams.

The Inditex-UDC Predoctoral Residency Grant Programme has a significant impact on talent promotion and the internationalisation of doctoral studies at UDC.

Evidence of this is the increasing rate of theses with international mention defended at UDC: from 14% in 2012 to 48% in 2020.

Inditex-UDC Sustainability Chair

The Inditex-UDC Sustainability Chair is a knowledge transfer initiative with the University of A Coruña to promote sustainability and social responsibility within the university community and wider society. It was created to encourage community debate, academic training and applied research on sustainability and social innovation in public authorities, universities, companies and non-profit entities.

As part of its training component, the ninth edition of the Sustainability and Social Innovation Specialism Course

(CESIS) took place in 2020, and 269 *students* now hold this UDC qualification. In 2020, 134 pre-registrations were received, 27 students participated and 11 received tuition grants provided by Inditex. Held partially online as a result of the pandemic, the course lasts 625 hours distributed among regular sessions, seminars, workshops, tutorials, conferences and company visits. Teaching is led by instructors from the professional world and from UDC and other centres, as well as 34 guest professors.

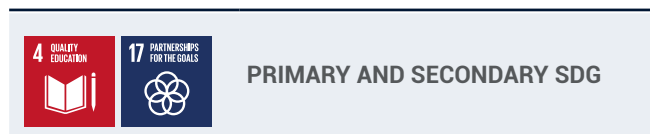
In an effort to promote the transfer of knowledge, CESIS students developed five service-learning projects in 2020 in collaboration with local non-profit entities and companies.

Likewise, action plans were drawn up in response to the challenges faced in economic, social and environmental sustainability and governance. This edition enjoyed the collaboration of A0 Mayores, the Red Cross of Galicia, Galega de Economía Social and TEXFOR.

In terms of outreach, the Chair held the ninth edition of the Open Source conference series, with the participation of Ezequiel Reficco, associate professor at EGADE Business School, TEC de Monterrey; and Anxo Queiruga Vila, president of COGAMI.

In the field of applied research, the Chair has continued its discussions on teaching innovation in sustainability. Following a peer review process, the first assessment study on the Chair's social impact has been published in the *International Journal of Sustainability in Higher Education*, under the title *Enhancing the effects of university education for sustainable development on social sustainability: the role of social capital and real-world learning*.

Chair of Disability and Employability



The TEMPE-APSA Chair of Disability and Employability at the Miguel Hernández University of Elche (Spain) aims to promote training and research to improve the integration of people with disabilities in the labour market.

Among the activities carried out in 2020, the third year of the Diploma in Auxiliary Shop Tasks stands out. It was completed by a total of 16 students with learning disabilities, several of whom have since gained employment in ordinary companies.

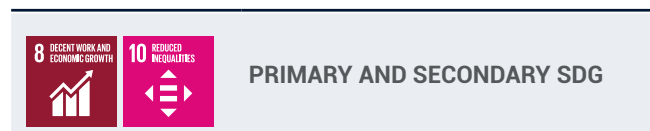
In addition, within the framework of the Erasmus Plus Programme, the Chair is leading the strategic action *Universities for labour inclusion of people with intellectual disabilities*, with additional participation from the University of Calabria, Thomas More Kempen University (Belgium), the Kiel Institute for Inclusive Education (Germany) and innovation company K-Veloce. The project aims to design a common curriculum for post-secondary training of people with intellectual disabilities that can be recognised by the European Union.

In March 2020, the Second Scientific Conference on Proposals and Challenges for Inclusive Education was held. Organised by the Chair, it featured the participation of more than 150 professionals from the Valencian Community and the Autonomous Region of Murcia.



b) Social welfare

for&from



for&from is a social/workplace integration programme for people with disabilities, opening commercial establishments with the look of Inditex's various brands. **These stores are managed by non-profit entities and staffed by people**

with disabilities. Following an initial investment by Inditex to build the store, the model becomes self-sustainable for the social organisations through product sales.

All *for&from* stores stock clothes and accessories from the previous season at competitive prices. Profits are reinvested entirely in the managing organisations in order to fund projects that provide care for people with disabilities. The programme currently has 15 stores that generate over 200 jobs. In 2020, turnover exceeded nine million euros, which was fully reinvested in social organisations: Molí d'en Puigvert Foundation, the Galician Confederation of People with Disabilities (COGAMI), the non-profit cooperative Moltacte, the Association for People with Mental Disabilities of Alicante (APSA), the Prodis Foundation and the Fondazione Cometa.





Salta

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

PRIMARY AND SECONDARY SDG

Salta is an integration programme that offers training and employment opportunities to young people at risk of social exclusion. It was founded in France in 2008 as Project Jeunes before coming to Spain in 2010.

Salta aims to give employment opportunities to vulnerable persons in our shops, factories or logistics centres. The project's positive reception and results have led to its implementation in 13 countries: Germany, Brazil, South Korea, Spain, the United States, France, Greece, Italy, Mexico, Poland, Portugal, the United Kingdom and Turkey.

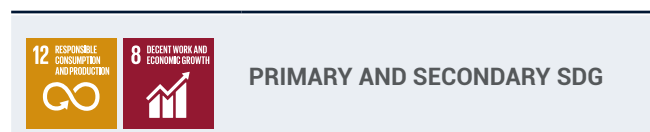
Thanks to the Salta Programme and the nearly 3,000 employees who played their part as trainers, tutors and mentors to guarantee adequate hiring and adaptation to the position, a total of 1,396 people have been trained and hired by Inditex. **Also essential to this initiative is the collaboration of more than 40 social entities that support us when selecting, training and following up with beneficiaries.**

In 2020, Salta has shown it is a resilient and flexible project that is capable of adapting to the new context of the pandemic. As a result, 100 people from various teams have trained and guided more than 150 participants from different NGOs to improve their employability through online workshops on self-esteem, CV preparation, active job searching on social media, styling and job interview simulations, among others.

In addition, this new format was also bolstered with an individual mentoring programme through which each participant is assigned an Inditex employee to go over the contents of the training sessions.



Moda Re-



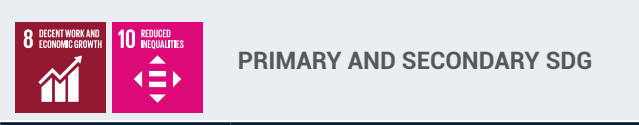
2020 is the fourth year of the programme dedicated to managing the end-of-life of textile products in collaboration with Cáritas. This collaboration, to which Inditex has allocated seven million euros for the 2016–2022 period, has brought about the creation of the *Moda Re-*

Programme by Cáritas. *Moda Re-* is a project dedicated to the collection and treatment of used textiles for recovery and reuse, in line with a sustainable business model based on the circular economy and under the Cáritas Española social and solidarity-based economy framework. **It works to create employment for vulnerable persons through the collection, recycling and reuse of used clothes.**

In addition to reintegration into the workplace and improving the condition of the clothes received by the needy, the project has an environmental component, not only due to the reuse and recovery of clothing, but also due to the techniques used in the treatment and recycling plants.

The project is self-sustaining, as it invests all its income in its own development and growth through the promotion and creation of the largest network of second-hand clothing stores in Spain. **Thanks to Inditex's support for this initiative, more than two million items of clothing have been donated to vulnerable people, 2,090 containers have been installed in Spain, more than 61,000 tonnes of clothes have been collected,** 24 second-hand clothing stores have been opened or upgraded and 360 jobs have been created, of which 180 are held by people at risk of social exclusion. The programme currently has more than 100 *Moda Re-* establishments located in Spain.

Employment and training programme in Spain




Inditex has supported the **Cáritas Employment Programme** since 2011, whose aim is to promote access to decent employment for persons in a situation of vulnerability. Its main lines of action are:

- The promotion of social economy initiatives that generate employment in a protected environment, which allows bridges to be established between the situation of the person and the demands of the ordinary labour market.
- Support for people in situations or at risk of exclusion, who have an entrepreneurial interest and capacity and can achieve their socio-labour insertion through self-employment.
- The improvement of **professional training**, as a basic requirement to promote their employability.

In 2020, due to the crisis brought on by the covid-19 pandemic, we had to adapt our activities to online methodologies and reorganise our workplace integration companies.

Likewise, thanks to collaboration with Inditex, 31 social economy projects, 38 training projects, with 76 funded courses and 1 self-employment project were consolidated. As a result, 1,432 people have improved their employability, 930 have improved their professional training and 686 have found a job.

Alentae



Alentae is an initiative from the Galician Confederation of People with Disabilities (COGAMI), run in collaboration with Inditex, that sponsors the creation of a special employment centre for the manufacturing of surgical face masks, with the aim of integrating people with disabilities into the workplace. These medical supplies

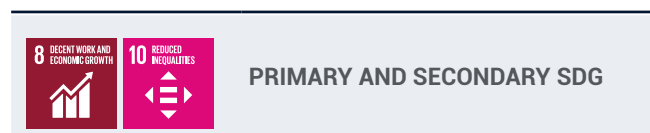


will be marketed by the non-profit organisation with the aim of contributing to its social objectives.

Inditex's support of this project has entailed the donation of five automated production lines, valued at €1.5 million, with a production capacity of 13 million units per month.

The machinery has been installed at a site belonging to COGAMI in the Bergondo Industrial Park (A Coruña, Spain), where 25 jobs linked to this activity will be created. In addition, the facilities have been fully equipped by Inditex to meet the requirements established by the Spanish Agency for Medications and Healthcare Products. Production is expected to kick off in 2021.

A Flote



Since 2017, the Emalcsa Foundation and Inditex have worked jointly on the social integration and social benefits programme *A Flote*. This three-year agreement provided stability to the programme and helped broaden

its goals and improve the social integration expectations of its beneficiaries from the geographical area of A Coruña (Spain).

The agreement was renewed for a further three years in August 2020, within the framework of the global covid-19 pandemic. The health emergency had an important and immediate economic and social impact on the most vulnerable families. **Inditex's support in this context allowed the most basic needs of these particularly vulnerable groups in the area of A Coruña to be met immediately.**

The corresponding decrease in the subsistence economy, the closing of hostels and guest houses and mobility restrictions made it imperative to adopt measures to meet two basic needs: food aid and enable emergency accommodation. In addition, it was necessary to continue with the normal activity of the *A Flote* programme in order to avoid the eviction of people and families without the capacity to pay rent and whose vulnerable situation was significantly aggravated in this context.

In 2020 a total of 802 social emergency benefits were managed through *A Flote*, of which 522 were requested by women and 280 by men. A total of 1,916 people live in these family units, 650 of whom are minors. Of the 802 benefits processed, 405 correspond to families with dependent minors, which is 50% of the total.





China Programme

		<p>PRIMARY AND SECONDARY SDG</p>
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In 2020 Inditex continued reinforcing its long-term relationship with the main entities with which it collaborates in community investment in China.

As a consequence of the covid-19 pandemic, the initiatives implemented in the scope of academia and research with the Tsinghua University, with which Inditex has been collaborating since 2016, were temporarily suspended in 2020 and will be resumed throughout 2021. **In this context, cooperation with this educational institution was focused on the agreement established with its foundation to bring over 1 million euros worth of medical supplies to China.** The 2.5 million units of protective equipment for medical personnel transported by Inditex were distributed directly by the *Tsinghua University Education Foundation* based on the requests of the country's health authorities.

In addition, Inditex launched a cultural promotion project together with the professors and students at the University's School of Art and Design. As a result, **some of the participants had the opportunity to exhibit their work at the flagship Wanfujing Zara store in Beijing.**

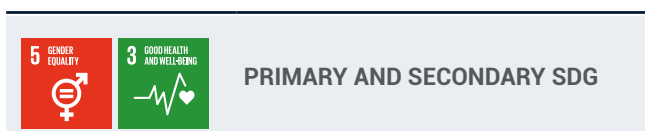
In terms of social welfare Inditex's contributions in 2020 were primarily made through the *Shanghai Charity Foundation*. In this case, computer equipment was donated to more than 15,000 students with limited resources. Likewise, the sanitation and lighting infrastructures of Yunnan, in Southwest China, were improved.

In addition, Inditex contributed with in-kind donations to disadvantaged groups through various organisations. We also collaborate with online charity shop Buy42.com (which allocates all its income to training and employment of people with special needs); with *SOS Children Village* orphanages; and with the *China Environmental Protection Foundation*, dedicated to reusing clothes.

With regard to volunteering, it is worth noting that nearly 400 employees have been involved in reforestation projects promoted by the *China Youth Development Foundation*, with which Inditex has been developing the *Hope School* project since 2015, to build schools in rural areas.



Every Mother Counts Programme



In March 2020, Inditex renewed its three-year agreement with *Every Mother Counts* (EMC), which plans to allocate \$1.5 million to projects in the United States and Bangladesh. The programme focuses specifically on providing quality, respectful and equitable prenatal care and care during pregnancy, childbirth and post-natal care for women and their children, as well as education and maternal health awareness projects.

The support of Inditex has enabled *Every Mother Counts* to work alongside the HOPE Foundation for Women and Children of Bangladesh in the Cox's Bazaar region, in the south-east of the Asian country. This cooperation has provided maternal and newborn healthcare, as well as care during pregnancy, childbirth and post-natal care. Awareness-raising actions have also been carried out on breastfeeding, newborn care and family planning. In

2020, and within the framework of this collaboration, the HOPE Foundation benefited more than 8,000 women and children.

In the United States, the agreement with Inditex has facilitated *Every Mother Counts* alliances with four social enterprises: *Commonsense Childbirth* (based in Florida); *Changing Woman Initiative* and *Tewa Women United*, both from New Mexico; and *SisterWeb*, from Florida. With these four entities, **medical and pre and post-natal care was provided to almost 1,600 low-income women in situations of social exclusion and their children.**

Awareness-raising and partner recruitment activities have also been implemented, including virtual races and film screenings, among other initiatives. In 2020, EMC documentaries and videos achieved two million visits, including the launch of a series of short films called *Delivering HOPE*, which highlights the work and everyday stories of frontline healthcare providers in countries such as Bangladesh, India and Guatemala.



Water.org programme

		<p>PRIMARY AND SECONDARY SDG</p>
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We have been collaborating with the non-profit organisation Water.org since 2015 to improve access to drinking water and sanitation for vulnerable families in Bangladesh, Cambodia and India, three of the principal regions of our suppliers. The aim of the programme is to improve access by granting microloans to low-income women in developing countries. **Through this market-based model, low-income people get access to affordable**

loans to cover their water and sanitation needs. Based on the philanthropic contribution of Inditex, an additional 168 million dollars was mobilised, which allowed 366,000 loans to be granted. As a result, more than 1.5 million people now have improved access to water and sanitation.

This alliance with Water.org gained momentum in 2020 with the signing of the new four-year agreement *Empowering women and families with access to water and sanitation*. **This agreement, with a donation of six million dollars made by Inditex, is embodied in a new comprehensive programme to accelerate and expand access to safe drinking water and sanitation for people living in poverty in India, Cambodia and Bangladesh.** The programme also provides for new global initiatives to help those who need these two essential services.



Inditex's support for Water.org in 2020 has helped improve the health and resilience of families around the world.

Throughout 2020, more than 357,000 people in these three countries gained access to sanitation and water solutions for their homes that changed their lives. In each country, Water.org worked with local financial institutions to expand the availability of affordable microloans for local water and sanitation solutions. As a result, 80,812 loans have been disbursed and more than 28 million euros of capital has been mobilised as a multiplier effect.

Similarly, **Water.org has developed a new global credit enhancement mechanism** called **Global Credit Enhancement Facility**, which aims to stimulate the granting of loans by commercial banks for domestic water and sanitation services. Following the initial launch in India, the knowledge acquired will be applied to facilitate expansion to other countries.

In addition, under the *Care for Water* framework, in collaboration with ZARA, Water.org and non-profit *Action for Social Advancement*, have launched an initiative in India to help 2,100 organic cotton producers gain access to safe drinking water and household sanitation through microloans.

Today, more than ever, access to safe drinking water and sanitation is critical to ensuring the health and resilience of the global community. Washing hands is the first and most basic measure in the fight against covid-19. But this simple gesture is impossible without water. And without bathrooms at home, public facilities make it extremely difficult to maintain social distancing measures. Inditex's support for Water.org in 2020 has helped improve the health and resilience of families around the world.



Medicus Mundi Programme

<p>4 QUALITY EDUCATION</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>PRIMARY AND SECONDARY SDG</p>
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Medicus Mundi collaborates with Inditex in Morocco with the aim of improving the social-healthcare situation of textile company workers in the Tangier-Tetouan-Al Hoceima region. **In a year dominated by the impact of the covid-19 pandemic, Medicus Mundi has contributed significantly to promoting the healthcare, social and labour rights of these workers, developed along with** civil society organisations, public authorities and companies in the garment industry.

In spite of the pandemic having had significant effects on some activities, such as a reduction of the number of people who have been able to benefit from medical

tests carried out at the Social Security's Caja Nacional Polyclinic (with 357 participants -218 women and 139 men- vs. the 1,200 people planned), the project has been able to adapt and respond to the situation of factories closing due to the crisis.

In this way, Medicus Mundi has supported a total of 785 women by distributing emergency food aid during the lockdown period. In addition, health and hygiene materials have been delivered to the Regional Directorate of Health in Tangier, and informative posters and materials giving advice on covid-19 prevention measures have been distributed.

From September 2020, Medicus Mundi resumed its training activities on labour rights, gender equality and gender-related issues to turn previously trained workers into teachers. **Medicus Mundi has also trained the personnel of the Health and Safety Committees of six companies and** workers' delegates on issues related to occupational risks.



Since 2011, we have collaborated with Médecins Sans Frontières (MSF) with the aim of ensuring an immediate response to medical-humanitarian crises anywhere in the world.

c) Emergency relief

UNHCR programme



PRIMARY AND SECONDARY SDG

In 2020 Inditex and UNHCR launched an ambitious in-kind donation programme aimed at meeting the clothing needs of refugees in different parts of the world. By means



of this initiative, which the Company is carrying out in collaboration with several suppliers, Inditex is supporting UNHCR in the task of clothing and helping to restore the dignity of refugees who have been forced to leave their homes and all their belongings behind.

Specifically, several new clothing deliveries were made to different refugee camps in Rwanda and Ethiopia in 2020, in a donation of more than 870,000 items to approximately 250,000 people in both countries. Thanks to this partnership **thousands of people will receive more than clothes: the donations will protect their physical well-being and also give them a psychological boost**, help restore their dignity and contribute to a sense of normality.





Access to health care for the Rohingya refugees in Bangladesh





PRIMARY AND SECONDARY SDG

In south-eastern Bangladesh, in the Cox's Bazar region, nearly one million Rohingya are surviving in harsh conditions after fleeing Myanmar. For the time being, the covid-19 pandemic has not hit the already weakened Rohingya population excessively hard. However, the mobility restrictions and closing of borders have significantly reduced the presence of humanitarian aid in the area.

In 2020, the Médecins Sans Frontières (MSF) teams deployed at Cox's Bazar have focused their efforts on secondary maternal and child care. Pregnant women and children under the age of 15 are the most vulnerable in contexts of displacement and famine, such as that lived by the Rohingya. The lack of food and water and the bad hygiene conditions affect their health. In this context, MSF continues to work towards improving the quality of care and access to the free services at the maternity and children's hospital in Goyalmara and at the maternity hospital in Unchiprang. In both buildings spaces have been enabled to treat possible suspected cases of covid-19.

According to our support, the MSF teams have carried out 31,520 outpatient consultations and 6,112 hospital admissions. Additionally, the vaccination record of 3,730 children has been updated and 1,502 births attended to. A total of 14,827 patients have required mental healthcare.

Access to healthcare for the migrant population in Mexico



PRIMARY AND SECONDARY SDG

Mexico is a country of transit, destination and return of migratory flows from Central America (El Salvador, Honduras and Guatemala) to the United States. The people who decide to embark on the journey had to leave their homes because of poverty, marginalisation and violence. The route, full of danger, found its borders closed in 2020 due to covid-19 and the lack of protection measures.

Médecins Sans Frontières (MSF) teams are present in various migrant shelters and staging points, where they offer basic medical and psychological consultations.

In addition, they have a Comprehensive Care Centre in Mexico City that provides specialised medical care to migrants and refugees who are victims of violence.

In 2020 they have assisted migrants in border detention centres and quarantine centres for covid-19 cases. Specifically, and thanks to the support of Inditex, MSF professionals carried out 9,997 outpatient consultations and 3,564 mental health consultations.



Deployment of covid-19 response teams in Mexico



PRIMARY AND SECONDARY SDG

Mexico is one of the American countries most affected by covid-19. The pandemic has overwhelmed the health system.

In this context, Médecins Sans Frontières (MSF) teams opened a treatment centre in a sports centre in Tijuana to take the strain off the city's hospital. After transferring the centre's management to local authorities, MSF teams travelled to several Mexican states to offer training and specific support to health centres and hospitals in the regions most severely affected by the pandemic and with fewer resources. 27 hospitals were visited and 12 of them received direct support. Also, 792 mental health sessions were given.

Support for the MSF emergency unit



PRIMARY AND SECONDARY SDG

Since 2011, we have collaborated with Médecins Sans Frontières with the aim of ensuring an immediate response

to medical-humanitarian crises anywhere in the world. In 2020, we fully financed the structure of the Emergency Unit, whose headquarters are in Barcelona, and part of the regional teams from the Democratic Republic of the Congo (RUSK), the Central African Republic (EURECA) and Ethiopia (ESS).

This continued support has allowed dealing with the effects of the pandemic in various countries, assisting people affected by the conflicts in Burkina Faso and Mozambique and dealing with epidemics in the Democratic Republic of the Congo, the Central African Republic and Ethiopia.

The Emergency Unit has managed in Spain, Peru and Yemen the response to the first wave of covid-19. Hospital expansions have been set up and training on preventing and controlling the infection have been delivered to healthcare and non-healthcare professionals. Over 10,000 people in Spain and Latin America have participated in the online training system launched by MSF via the website msfcovid19.org.

At the same time, the teams deployed in Burkina Faso by the Emergency Unit continued meeting the enormous needs of this population affected by the conflict in the north of the country. **Vaccination campaigns have been launched to immunise 40,119 children, and a further 86,153 children were treated for malaria.** In addition, 3,771 pregnant women have been assisted in childbirth, and care has been provided to the newborns.

In Mozambique incursions by rebel armed groups and radical groups are wreaking havoc in Cabo Delgado. MSF's efforts have focused on providing mental healthcare, one of the major shortcomings of the Mozambican health system. In 2020 MSF teams held 3,546 consultations.



Meanwhile, regional emergency response teams have once again been essential in analysing the context and responding to imminent needs.

In the Democratic Republic of Congo, the RUSK has carried out several interventions in the South Kivu region. Despite the limitations imposed by covid-19, measles vaccination campaigns and treatments for malaria and malnutrition have been carried out on the child population. In Central African Republic, EURECA has focused on ensuring medical care and vaccination for children in areas heavily affected by violence. And in Ethiopia, the ESS responded to flooding caused by the Lake Turkana, and essential items were distributed in Metekel.

En las Fronteras de Colombia

The "En las Fronteras de Colombia" Programme, which is passing the halfway mark of its fourth edition for the period 2018–2021, has witnessed a worsening humanitarian crisis in Colombia due to **migration flows from Venezuela** and the covid-19 pandemic, which has imposed significant restrictions and limited the work and conditions of humanitarian teams.

In addition, this state of emergency has resulted in closed borders, closed businesses and new mobility restrictions, which have had a particularly acute impact on the most vulnerable groups. The programme, which has been carried out together with the Jesuit Refugee Service (SJR LAC) since 2009, has served a total of 12,790 people in Colombia, Ecuador and Venezuela.

Response to covid-19 in South Africa

The project aimed at mitigating the effects of covid-19 with the distribution of basic necessities among refugees and asylum seekers in the South African province of Gauteng arises from the crisis caused by the spread of the pandemic in the African country.

This project, implemented together with the Jesuit Refugee Service as a complement to the educational intervention of EPGO III, has provided an emergency response by distributing basic foodstuffs and hygiene and healthcare resources to 1,130 vulnerable people.

d) Others

In addition to the programmes described in the previous sections, in 2020 we allocated 10% of our Corporate Community Investment to initiatives related to the environment, economic development, art and culture. In a year shaped by the covid-19 pandemic, we have allocated 34% of our CCI to health-related initiatives. In 2020, we continued to support institutions that work in the field of research such as the PRO-CNIC Foundation, *New York-Presbyterian's Youth Anxiety Center*, *Massachusetts Institute of Technology* (MIT), Real Instituto Elcano and Fundación Carolina, among others. Inditex's relationship with art and culture is embodied in its collaborations with

institutions such as the Royal Spanish Academy, the Reina Sofía National Museum of Art, and the Royal Theatre, among others.

 For more information, see section.4.1. *Covid-19 donations* of this Annual Report.

Likewise, Inditex makes charitable gifts at a corporate level, and contributions from our Group brands and subsidiaries to non-profit organisations. Thus, in 2020, we allocated 1.9 million euros to charitable gifts, distributed among more than 170 community organisations.





Partnerships and commitments with civil society



At Inditex, we maintain a fluid, multidirectional and constant relationship with numerous local and international organisations and institutions.

4.3. Partnerships and commitments with civil society

At Inditex, we consider that the relationship and the establishment of partnerships with the various stakeholders representing civil society is key to the development of our sustainable business model. For this reason, we maintain a fluid, multidirectional and constant relationship with numerous local and international organisations and institutions. We join forces with governments, unions, academic institutions, local and international organisations and civil society

representatives, among others. This helps us to further sustainable development both across our entire value chain and in the societies where we operate. In this way, we maximise our contribution to the Sustainable Development Goals and we are making progress in creating economic, social and environmental value.

Below is a non-exhaustive list of the main organisations and institutions we collaborate with.



RELATED MATERIAL TOPICS:

STAKEHOLDER ENGAGEMENT



ALIANZA PAÍS FOR ZERO CHILD POVERTY

An initiative promoted by the High Commission against Child Poverty (Government of Spain), with the aim of promoting participation and creating alliances among all social actors to work towards a common vision: a Spain in which all children and young people have equal future opportunities, regardless of where they come from. Inditex has been an Alianza member since January 2021.



More information at: <https://www.comisionadopobrezainfantil.gob.es/es>



ACCELERATING CIRCULARITY

A collaborative project through which the garment industry has joined forces to boost circularity. Backed by organisations including *Textile Exchange*, *Circle Economy*, *Fashion for Good*, and *Reverse Resources*, Inditex is a founding partner and member of the *Steering Committee* of this initiative in Europe, together with other members including representatives from fibre manufacturing, and textile waste, supply chain, brand, and retail specialists.



More information available at: <https://www.acceleratingcircularity.org/>

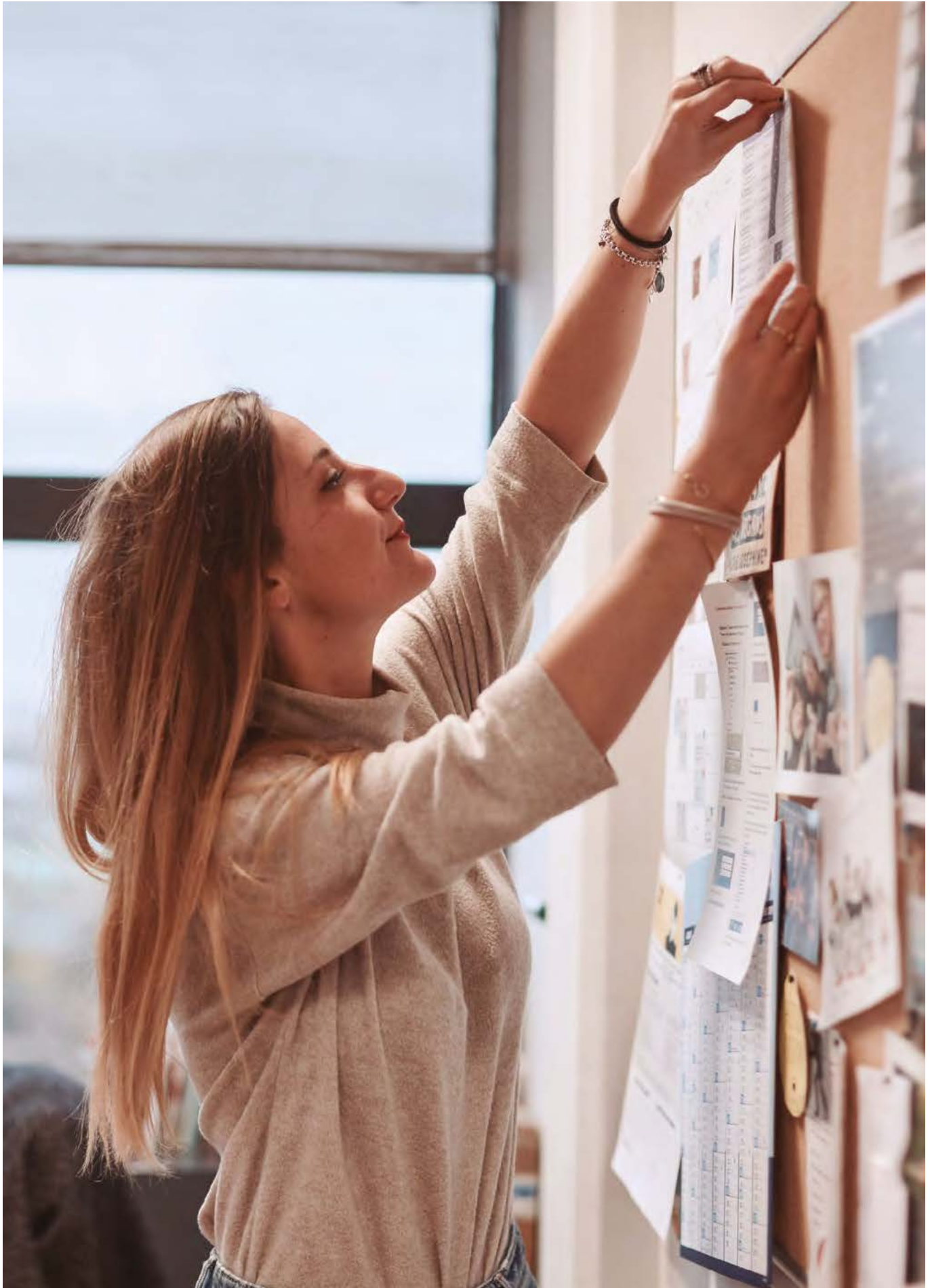
	BANGLADESH ACCORD	<p>This is an agreement between global brands and distributors, and international trade unions, national partners and non-governmental organisations, which aims to secure safe and healthy conditions for the textile industry in Bangladesh. Inditex is an original signatory member and sits on the Board of Directors. Since June 2020, the Accord has transferred its operations on the ground to the RMG Sustainability Council (RSC).</p> <p> More information at: https://bangladeshaccord.org</p>
	ACT (ACTION, COLLABORATION, TRANSFORMATION)	<p>A collaborative initiative involving distribution brands, suppliers and trade unions to transform the industry and achieve living wages in the textiles sector through collective bargaining and responsible purchasing practices. Inditex has been an active participant in ACT and its working groups since its creation in 2015.</p> <p> More information at: www.actonlivingwages.com/</p>
	AFIRM GROUP	<p>A working forum made up of leading companies in the fashion, footwear and sportswear sector, who all share the goal of reducing - across the textile and leather supply chain - the use and impact of substances damaging to health and the environment.</p> <p> More information at: www.afirm-group.com/</p>
	PARTNERSHIP FOR A SUSTAINABLE ECONOMIC RECOVERY	<p>A partnership promoted by Ecodes and the Spanish Green Growth Group, among others, to defend that stimulus policies are economically and socially effective and are in line with sustainability and biodiversity policies.</p>
	ISTANBUL TEXTILE AND APPAREL EXPORTER ASSOCIATIONS - İTKİB	<p>Inditex is part of a long and fruitful collaboration in Turkey with İTKİB, the Istanbul textile association and EKOTEKS, the customs control laboratory, working on the development of new techniques to analyse sustainable cosmetics and fibres.</p> <p> More information at: www.itkib.org.tr/</p>
	BETTER COTTON INITIATIVE (BCI)	<p>At Inditex we are collaborating with the <i>Better Cotton Initiative</i> (BCI) as members. The initiative aims to develop and promote best practice in traditional cotton cultivation, to the benefit of producers, the environment, and the industry's future.</p> <p> More information at: www.bettercotton.org</p>
	BETTER THAN CASH ALLIANCE	<p>Based at the United Nations, this partnership between governments, companies and diverse international organisations seeks to promote the transition to a digital economy worldwide. At Inditex, our focus in the partnership is on the digitalisation of the supply chain and providing financial education.</p> <p> More information at: www.betterthancash.org/</p>
	BSR	<p>A global non-profit organisation that works with a network of more than 200 members to build a fair and sustainable world. As members of BSR since 2019, we have taken part in several of the organisation's initiatives, such as the HER programme for the empowerment of women.</p> <p> More information at: www.bsr.org/</p>
	UNITED NATIONS BUSINESS AMBITION FOR 1.5°C	<p>Urgent call for action by a global coalition of UN agencies and business and industry leaders to commit to setting ambitious science-based emission reduction targets.</p>
	BUSINESS FOR SOCIETAL IMPACT (B4SI)	<p>A global standard, previously known as LBG, to measure the social impact of a company. Inditex is part of the B4SI global network, currently made up of more than 120 companies.</p> <p> More information at: https://b4si.net/</p>
	CANOPY PLANET INITIATIVE	<p>As founders of the <i>CanopyStyle</i> initiative, we are collaborating with the organisation <i>Canopy Planet</i> to protect primary forests and forests with a high ecological value through the textile chain. It represents a commitment to protect these types of forests; more specifically, a commitment to ensuring man-made fibres (viscose, modal, lyocell) do not contain cellulose originating from such forests.</p> <p> More information at: www.canopyplanet.org</p>

	<p>CÁRITAS</p>	<p>We have worked with Cáritas, a non-profit organisation, since 2007, with the aim of improving wellbeing in the community. Under the framework of our strategic alliance with Cáritas we are currently developing a number of programmes such as the <i>Moda Re-</i> circular economy programme and job creation programme in Spain.</p> <p> More information at: www.caritas.org</p>
	<p>FASHION INDUSTRY CHARTER FOR CLIMATE ACTION (ONU-FCCC)</p>	<p>We have committed to implementing this Charter, launched by the United Nations Office for Climate Change, and aligned with the Paris Agreement goals. The aim is for the industry to achieve net zero emissions by 2050, with an initial goal of reducing GHG emissions by 30% by 2030.</p> <p> More information at: https://unfccc.int/climate-action/sectoralengagement/global-climate-action-in-fashion/about-the-fashion-industry-charter-for-climate-action</p>
	<p>CEO WATER MANDATE</p>	<p>We are signatories of this United Nations initiative to support companies in developing, implementing, and disclosing their water strategies and policies.</p> <p> More information at: www.ceowatermandate.org</p>
	<p>CIQ SHANGHAI</p>	<p>We are taking part in the <i>Pre-Testing</i> Programme with CIQ Shanghai, which is part of the Department of Customs Inspection and Quarantine of China, a programme reserved for companies with a very high level of compliance with health regulations for imported items.</p>
	<p>CLEAN CARGO WORKING GROUP</p>	<p>In 2020 we joined this initiative dedicated to reducing the environmental impacts of global freight transport and promoting responsible maritime transport. Within the <i>Clean Cargo Working Group</i>, there is a collaboration between companies dedicated to integrating environmental and socially responsible corporate principles into transport management. Its CO₂ Emissions Calculation methodology is the maritime transport standard used by other initiatives such as the US Environmental Protection Agency's SmartWay Programme (EPA) and the Global Logistics Emissions Board (GLEC).</p> <p> More information at: www.clean-cargo.org</p>
	<p>COTTON CAMPAIGN</p>	<p><i>Cotton Campaign</i> is an initiative set up by companies and third sector organisations to improve working conditions and defend human rights in cotton production and sourcing.</p> <p> More information at: www.cottoncampaign.org</p>
	<p>COVID-19: ACTION IN THE GLOBAL GARMENT INDUSTRY</p>	<p>An initiative aimed at encouraging action in the global textile sector to help industry cope with the economic impact of the coronavirus pandemic, while promoting the protection of the incomes, health and employment of industry workers. This call to action has been agreed in 2020 by the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union together with international brands, and with the technical support of the International Labour Organisation (ILO). Inditex is part of the international working group created for its implementation.</p>
	<p>ELLEN MACARTHUR FOUNDATION</p>	<p>We have joined the New Plastics Economy Global Commitment, launched by the Ellen MacArthur Foundation in collaboration with the <i>UN Environment Programme for the period to 2025</i>. Through this commitment, we are promoting reusing or recycling all the plastics we use so they can then be reintroduced into the cycle, as well as reducing the amount of unnecessary plastic packaging used and increasing the percentage of recycled content in these materials.</p> <p> More information at: www.ellenmacarthurfoundation.org</p>
	<p>ENTRECULTURAS</p>	<p>Since 2001 we have collaborated with the Jesuit-sponsored NGO, which aims to bring about social change through education. Over the last 19 years our work for this partnership has included developing educational programmes which have directly benefited more than 1.2 million vulnerable people in Africa, Latin America, and Asia.</p> <p> More information at: www.entreculturas.org</p>
	<p>ETHICAL TRADING INITIATIVE</p>	<p>A platform for dialogue to improve working conditions across the supply chain, consisting of companies, international trade unions, and non-governmental organisations. Inditex has been a member of the <i>Ethical Trading Initiative</i> since 2005 and is an active participant of its programmes in different countries.</p> <p> More information at: www.ethicaltrade.org/</p>

	EVERY MOTHER COUNTS	<p>A non-profit organisation dedicated to helping women access quality healthcare, in order to prevent infant and maternal mortality. Thanks to our partnership that began in 2015, numerous maternal healthcare projects have been developed in countries such as Bangladesh and the United States.</p> <p> More information at: www.everymothercounts.org</p>
	FASHION PACT	<p>We are co-founding partners of this agreement between leading fashion companies setting specific goals to tackle industry challenges, specifically to combat climate change, protect our oceans and conserve biodiversity.</p> <p> More information at: www.thefashionpact.org/</p>
	FORO SOCIAL DE LA MODA	<p>This forum was founded in 2018 as a joint initiative involving organisations in the third sector, local unions affiliated with IndustriALL Global Union (CCOO and UGT) and various Spanish textile brands including Inditex. It provides a forum for dialogue on global supply chains between various stakeholders.</p>
	FUR FREE ALLIANCE	<p>The <i>Fur Free Alliance</i> is an international coalition of animal welfare organisations working together to end the exploitation and killing of animals for fur. Inditex is part of the <i>Fur Free Alliance's Fur Free Retailer Program</i>.</p> <p> More information at: www.furfreealliance.com</p>
	GLOBAL FASHION AGENDA (GFA)	<p>Promotes a series of commitments for advancing towards a circular economy by 2020, known as the <i>GFA 2020 Commitments</i>.</p> <p> More information at: www.globalfashionagenda.com</p>
	INDUSTRIALL GLOBAL UNION	<p>An international federation of more than 600 unions in 140 countries, representing more than 50 million industrial sector workers. Our collaboration with IndustriALL is enshrined in the Global Framework Agreement signed in 2007, the first to cover the whole supply chain of a textile company. The agreement, renewed in 2019, highlights the importance of the role of freedom of association and collective bargaining. As such, both organisations have agreed to work together to ensure the more effective application of International Labour Standards.</p> <p> More information at: www.industriall-union.org/es</p>
	INDUSTRY SUMMIT	<p>An alliance of global retail businesses whose ambition is to improve working conditions in the industry by promoting supply chain resilience, responsible business practices, transparency, accountability and high quality compliance systems. Industry Summit participants work together in a pre-competitive manner, as well as on other multi-stakeholder initiatives, to promote meaningful actions.</p>
	CHINESE INSTITUTE OF PUBLIC & ENVIRONMENTAL AFFAIRS (IPE)	<p>We have upheld our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE), in order to improve the environmental management of our supply chain in China and to publish the results of wastewater analysis. We are continuing to work together to develop a map to monitor the performance of textile companies in China.</p> <p> More information at: www.ipe.org.cn/index.aspx</p>
	LBG (LONDON BENCHMARKING GROUP) ESPAÑA	<p>A framework to measure corporate social action. Inditex is a member of the LBG España Group, currently made up of 18 companies.</p> <p> More information at: https://www.lbg.es/es/home</p>
	MASSACHUSETTS INSTITUTE OF TECHNOLOGY (MIT)	<p>Under the umbrella of our <i>Closing the Loop</i> programme, we are collaborating with the <i>Massachusetts Institute of Technology</i> (MIT) on the MIT-MISTI (<i>International Science and Technology Initiatives</i>) initiative to research ways of recycling used clothes.</p> <p> More information at: www.mit.edu</p>
	MIT CLIMATE AND SUSTAINABILITY CONSORTIUM	<p>Inditex is one of the founding members of the MIT Climate and Sustainability Consortium (MCSC), launched with the goal of accelerating large-scale implementation of solutions to address the threat of climate change. The initiative brings together multinational leaders from a broad range of industries to work together with the MIT, to share processes and strategies for environmental innovation.</p>

	<p>MEDICINS SANS FRONTIERES</p>	<p>Since 2008 we have collaborated with Doctors Without Borders, a humanitarian medical organisation that delivers emergency aid to people affected by armed conflict, epidemics, pandemics, natural disasters and exclusion from healthcare. As a result of this strategic alliance for investment in the community, we have developed projects in 52 countries which have benefited more than five and a half million people.</p> <p>More information at: www.msf.org</p>
	<p>OPEN FOR BUSINESS</p>	<p>A coalition of leading global companies dedicated to LGBT+ inclusion, to prove that more inclusive societies are better for business and that companies that promote LGBT+ inclusion are more dynamic, productive and innovative.</p> <p>More information at: www.open-for-business.org/</p>
	<p>ORGANIC COTTON ACCELERATOR (OCA FOUNDATION)</p>	<p>We are founding members and part of the investment committee for the <i>Organic Cotton Accelerator</i> (OCA). The initiative was created to foster a commitment to the development of a responsible and healthy organic cotton market to the benefit of all parties involved.</p> <p>More information at: www.organiccottonaccelerator.org</p>
	<p>INTERNATIONAL LABOUR ORGANIZATION</p>	<p>We are participants in the ILO's <i>Better Work</i> Programme, working to improve compliance with labour regulations and the competitiveness of global supply chains. Inditex joined the <i>Better Work</i> Programme in October 2007. In 2013, both parties signed a special agreement making us a direct buyer partner of the <i>Better Work</i> Programme.</p> <p>We have maintained a public-private partnership with the ILO, signed in 2017 and to be renewed every three years, with the aim of working together to promote fundamental principles and labour rights in the cotton supply chain.</p> <p>More information at: www.ilo.org/global/lang-es/index.htm</p>
	<p>UNITED NATIONS GLOBAL COMPACT</p>	<p>A United Nations initiative that encourages social dialogue between companies and civil society. Inditex joined in 2001, and we play an active role on the various working platforms together with other stakeholders, such as the Action Platform on Decent Work in Global Supply Chains, and the Reporting Platform on the Sustainable Development Goals.</p> <p>More information at: www.unglobalcompact.org/</p>
	<p>SHIFT</p>	<p>A non-profit organisation with human rights expertise, chaired by John Ruggie, author of the United Nations Guiding Principles on Business and Human Rights. Inditex has been a member of <i>Shift</i> since 2018, taking part in its <i>Business Learning Programme</i>, human rights leadership programmes which bring companies from all sectors together to work on implementing the Guiding Principles.</p> <p>More information at: www.shiftproject.org/</p>
	<p>SMART FREIGHT CENTRE</p>	<p>It is a non-profit organisation dedicated to sustainable transport. Its vision is to achieve an efficient global logistics sector and zero emissions, which will contribute to the objectives of the Paris Climate Agreement and Sustainable Development Goals. To achieve this vision, they are joining the global logistics community through the <i>Global Logistics Emissions Council</i> (GLEC).</p> <p>More information at: www.smartfreightcentre.org</p>
	<p>SUSTAINABLE APPAREL COALITION (SAC)</p>	<p>We are active members of the <i>Sustainable Apparel Coalition</i> (SAC), a textile industry initiative to develop a common sustainability index to assess the environmental performance of retail brands, suppliers and products.</p> <p>More information at: www.apparelcoalition.org</p>
	<p>SUSTAINABLE FIBRE ALLIANCE</p>	<p>The <i>Sustainable Fibre Alliance</i> (SFA) is an international non-profit organisation with a focus on the entire cashmere supply chain, from herders to retailers. Its goal is to promote a global sustainability standard in cashmere production, in order to preserve and restore grasslands, ensure animal welfare, and secure livelihoods.</p> <p>More information at: www.sustainablefibre.org</p>

	TENT PARTNERSHIP FOR REFUGEES	<p>Founded by Tent Foundation, a non-profit organisation, this global network of more than 100 companies seeks to mobilise the private sector to create partnerships that can improve the lives of refugees.</p> <p> More information at: www.tent.org</p>
	TEXTILE EXCHANGE	<p>We are collaborating with the <i>Textile Exchange</i> as members. This is an independent, non-profit organisation, and a leading international industry figure. It is a platform to promote the cultivation of organic cotton and global sustainability in the textile industry.</p> <p> More information at: www.textileexchange.org</p>
	THE POLICY HUB	<p>We actively collaborate with <i>The Policy Hub</i>, an organisation that brings the textile industry and its stakeholders together to speed up the sector's transformation to a circular model.</p> <p> More information at: www.policyhub.org</p>
	UNI GLOBAL UNION	<p>In 2019, Inditex and the <i>UNI Global Union</i>, a federation of unions representing 20 million workers in more than 150 countries, celebrated the 10th anniversary of their global agreement, signed in 2009 to respect and promote labour rights and decent work across the commercial and distribution network.</p> <p> More information at: www.uniglobalunion.org</p>
	UNITED NATIONS UNITING BUSINESS AND GOVERNMENTS TO RECOVER BETTER	<p>Inditex is one of the more than 150 companies participating in <i>Science Based Targets</i> that signed a statement in 2020 urging governments around the world to align their recovery efforts for the covid-19 crisis and financial assistance with the latest climate-related scientific advances.</p> <p> More information at: https://www.unglobalcompact.org/take-action/recover-better-statement</p>
	POLYTECHNIC UNIVERSITY OF CATALONIA	<p>Inditex is working with the <i>Universitat Politècnica de Catalunya</i> on research into the microplastics present in marine ecosystems, originating from laundry wastewater. Specifically, the project is looking into how to minimise the shedding of these particles (smaller than 5mm) from clothing, thereby preventing them from making their way into the sea.</p>
	UNIVERSITAT DE LLEIDA. A3 LEATHER INNOVATION CENTER AT IGUALADA	<p>Our cooperation with A3 Center centres on two aims: developing the best technologies for leather tanning and finishing, and simple and versatile methods for the analysis of key substances such as formaldehyde and chromium (VI).</p> <p> More information at: www.a3center.cat/index.php/es/</p>
	WATER.ORG	<p>Since 2015 we have been collaborating with the non-profit organisation <i>Water.org</i> to improve access to drinking water and sanitation for vulnerable families in Bangladesh, Cambodia and India. Thanks to our strategic alliance with <i>Water.org</i>, more than one and a half million people now have improved access to water and sanitation, achieved through granting microloans.</p> <p> More information at: www.water.org</p>
	ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC)	<p>Through this organisation, we join forces with the industry as a whole, working together to achieve our commitment to Zero Discharge in 2020. It represents a commitment to limit and eliminate certain chemicals from the product manufacturing process.</p> <p> More information at: www.roadmaptozero.com</p>



Acknowledgements

4.4. Acknowledgements



RELATED MATERIAL TOPICS:

STAKEHOLDER ENGAGEMENT;
RESPONSIBLE COMMUNICATION



**BLOOMBERG,
GENDER EQUALITY
INDEX**

Inditex has been acknowledged by Bloomberg in its 2021 Gender Equality Index (GEI) for the second consecutive year. The index **measures the commitment towards gender equality across five pillars: female leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies, and pro-women brand.** The list includes 380 corporations from 44 countries and regions around the world, and more than 6,000 global companies analysed. The organisations cover 50 sectors and industries, including *retail*.



**WORLD
BENCHMARKING
ALLIANCE**

Through its *Gender Disclosure Report 2020*, **practices in the scope of gender equality and women's empowerment are analysed in the world's 36 most influential retail companies.** The study is based on the information made public by companies themselves, and it highlights the leadership of Inditex and the commitment towards its suppliers in aspects such as preventing workplace violence and sexual harassment, among others.



FINANCIAL TIMES

The *Financial Times* has presented its *Diversity Leaders*, which **includes Inditex for the first time in 2021 for its efforts to achieve full inclusion in the workplace.** The report, in which Inditex is ranked 252, includes a list of 850 leading companies across 16 European countries, recognised for their integrating approach to their workforce.



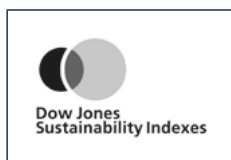
**UNIVERSUM MOST
ATTRACTIVE
EMPLOYERS**

It identifies the 100 best companies to work for based on polls made of university students. For the sixth consecutive year, in 2020 Inditex has managed to remain among the favourite companies for business administration students.



**REPORT REFINITIV
GLOBAL DIVERSITY
& INCLUSION INDEX**

In 2020, Inditex ranks in fifth place in the **Refinitiv Global Diversity & Inclusion Index** report (position 51 in 2019). The index identifies **companies that are at the forefront of workplace diversity and inclusion** to ensure that they remain competitive and meet the changing needs of their customers.



**DOW JONES
SUSTAINABILITY
INDEX**

Inditex continues to be one of the most sustainable **retail companies, according to the Dow Jones Sustainability Index**, with a score of 75 points out of 100, 51 points above the average score for the sector (68 points out of 100 in 2019).







FTSE4GOOD

The *FTSE4Good* sustainability-based index awarded Inditex a score of 4.9 out of 5 in 2020, the same score as in 2019. The sustainability stock index includes **global companies with a strong commitment to sustainability**, taking into account environmental, social and corporate governance practices.



We join forces with governments, unions, academic institutions, local and international organisations and civil society representatives, among others. This helps us to further sustainable development both across our entire value chain and in the societies where we operate.

	BAPTISTE WORLD AID AUSTRALIA	<p>In 2020, the organisation presented <i>The Covid Fashion Report</i>, a special edition of its <i>Ethical Fashion Report</i>, which addresses the impact of covid-19 on the textile industry and which lists the six commitments that companies can work towards in this pandemic (support workers' wages by honouring supplier commitments; identify and support workers at greatest risk; listen to the voices and experience of workers; ensure workers' rights and safety are respected; collaborate with others to protect vulnerable workers; and build back better for workers and the world). Inditex was included among the companies with greater compliance with these commitments.</p>
	CDP	<p>In 2020 Inditex was awarded an A- rating for its climate change programme given its leadership in disseminating information and its performance in this area.</p>
	CORPORATE KNIGHTS	<p>For the third year running, Inditex is included in the Global 100 Most Sustainable Corporations. The ranking evaluates economic, environmental, social and governance indicators of 7,395 global companies and ranks Inditex 92nd in the general list and 2nd in the fashion industry.</p>
	CHANGING MARKETS FOUNDATION	<p>According to the study <i>Dirty Fashion:Crunch Time</i>, Inditex has been included in the frontrunner category in the retail industry for the third consecutive year thanks to its strong support for the production and sale of responsible viscose. The latest edition of this report, published in December 2020, assesses responsible production plans, commitments and progress in terms of transparency of 100 brands and retailers (91 in 2019) and of relevant viscose manufacturers and the most relevant initiatives, showing at which stage of the transition towards responsible viscose the global textile industry is.</p>
	FUNDACIÓN CUATRECASAS	<p>Inditex has been awarded the Manuel Olivencia Corporate Good Governance Award.</p>
	MERCO	<p>In 2020, Inditex achieved first place in the ranking of Best Reputed Companies in Spain for the ninth year running and has remained at the top of the Merco Responsibility and Corporate Governance ranking.</p>
	FORBES	<p>Inditex is included in the Forbes Global 2000 list for the fifth consecutive year. For this ranking, Forbes selects 2,000 private companies based on a combination of four indicators: sales, utilities, assets and market value.</p>





Appendices

Sustainable management of the supply chain indicators

a) Supplier clusters⁽¹⁾

	2020		2020
SPAIN		VIETNAM	
Number of suppliers with purchases in the year	177	Number of suppliers with purchases in the year	7
Number of sewing factories associated with suppliers with purchase	135	Number of sewing factories associated with suppliers with purchase	110
Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	314	Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	33
Workforce of manufacturers working for Inditex in Spain	19,718	Workforce of manufacturers working for Inditex in Vietnam	136,470
PORTUGAL		CAMBODIA	
Number of suppliers with purchases in the year	158	Number of suppliers with purchases in the year	3
Number of sewing factories associated with suppliers with purchase	607	Number of sewing factories associated with suppliers with purchase	116
Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	425	Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	17
Workforce of manufacturers working for Inditex in Portugal	52,579	Workforce of manufacturers working for Inditex in Cambodia	107,865
MOROCCO		CHINA	
Number of suppliers with purchases in the year	137	Number of suppliers with purchases in the year	412
Number of sewing factories associated with suppliers with purchase	328	Number of sewing factories associated with suppliers with purchase	1,414
Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	40	Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	1,323
Workforce of manufacturers working for Inditex in Morocco	91,487	Workforce of manufacturers working for Inditex in China	635,532
TURKEY		PAKISTAN	
Number of suppliers with purchases in the year	215	Number of suppliers with purchases in the year	48
Number of sewing factories associated with suppliers with purchase	906	Number of sewing factories associated with suppliers with purchase	70
Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	828	Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	95
Workforce of manufacturers working for Inditex in Turkey	364,201	Workforce of manufacturers working for Inditex in Pakistan	361,596
INDIA		ARGENTINA ⁽³⁾	
Number of suppliers with purchases in the year	101	Number of suppliers with purchases in the year	13
Number of sewing factories associated with suppliers with purchase	128	Number of sewing factories associated with suppliers with purchase	14
Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	312	Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	19
Workforce of manufacturers working for Inditex in India	423,735	Workforce of manufacturers working for Inditex in Argentina	4,883
BANGLADESH		BRAZIL ⁽³⁾	
Number of suppliers with purchases in the year	118	Number of suppliers with purchases in the year	1
Number of sewing factories associated with suppliers with purchase	233	Number of sewing factories associated with suppliers with purchase	2
Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	217	Number of factories involved in other processes associated with suppliers with purchases ⁽²⁾	3
Workforce of manufacturers working for Inditex in Bangladesh	811,603	Workforce of manufacturers working for Inditex in Brazil	3,956

(1) Includes data of the main country in each cluster.

(2) Includes raw materials processing, cutting, dyeing and washing, printing, finishing and processing of non-textile products. The main process has been considered for those factories that perform more than one process.

(3) All suppliers and active factories of the region are included for these data to be representative.

b) Supply chain assessment

Audits by region 2020

GEOGRAPHICAL AREA	TRACEABILITY	PRE-ASSESSMENT	SOCIAL	ENVIRONMENTAL	SPECIAL	TOTAL
Africa	139	63	197	26	36	461
Americas	28	15	14	1	2	60
Asia	642	2,123	3,259	670	673	7,367
Europe (non-EU)	385	394	1,074	237	43	2,133
European Union	148	467	1,145	189	27	1,976
TOTAL	1,342	3,062	5,689	1,123	781	11,997

2020 internal and external audits

	TRACEABILITY	PRE-ASSESSMENT	SOCIAL	ENVIRONMENTAL	SPECIAL	TOTAL
In-house	272	10	278	0	644	1,204
Outsourced	1,070	3,052	5,411	1,123	137	10,793
TOTAL	1,342	3,062	5,689	1,123	781	11,997

Social ranking and production volume of suppliers with purchase⁽⁴⁾

	2020			2019			2018		
	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	575	32%	32%	784	40%	41%	661	35%	37%
B	1,152	64%	66%	1,051	53%	56%	1,045	56%	59%
C	27	2%	1%	44	2%	1%	80	4%	2%
Subject to CAP	24	1%	1%	38	2%	1%	47	3%	1%
PR	27	1%	0%	68	3%	1%	33	2%	1%
TOTAL	1,805	100%	100%	1,985	100%	100%	1,866	100%	100%

Social ranking and production volume of suppliers with purchase per region⁽⁴⁾

AFRICA	2020			2019			2018		
	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	96	62%	66%	97	60%	64%	67	46%	52%
B	41	26%	24%	44	27%	24%	59	40%	37%
C	4	3%	2%	7	5%	6%	13	9%	9%
Subject to CAP	5	3%	2%	11	7%	5%	5	3%	2%
PR	10	6%	6%	2	1%	1%	1	2%	0%
TOTAL	156	100%	100%	161	100%	100%	145	100%	100%

(4) Supplier A: Complies with the Code of Conduct. Supplier B: Does not comply with some non-relevant aspect of the Code of Conduct. Supplier C: Does not comply with some sensitive, but not conclusive, aspect of the Code of Conduct. Supplier subject to CAP: Supplier in Corrective Action Plan: Supplier PR: Undergoing an auditing process.

	2020			2019			2018		
AMERICAS	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	2	22%	19%	8	47%	16%	13	59%	30%
B	7	78%	81%	9	53%	84%	8	36%	70%
C	0	0%	0%	0	0%	0%	1	5%	0%
Subject to CAP	0	0%	0%	0	0%	0%	0	0%	0%
PR	0	0%	0%	0	0%	0%	0	0%	0%
TOTAL	9	100%	100%	17	100%	100%	22	100%	100%

	2020			2019			2018		
ASIA	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	194	20%	26%	354	32%	37%	273	26%	30%
B	780	79%	74%	700	63%	62%	695	67%	66%
C	14	1%	0%	21	2%	1%	42	4%	3%
Subject to CAP	1	0%	0%	11	1%	0%	16	2%	1%
PR	2	0%	0%	21	2%	0%	14	1%	0%
TOTAL	991	100%	100%	1,107	100%	100%	1,040	100%	100%

	2020			2019			2018		
EUROPE (NON-EU)	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	50	21%	29%	58	27%	37%	76	38%	51%
B	170	70%	66%	131	61%	58%	89	45%	41%
C	8	3%	2%	10	5%	3%	14	7%	3%
Subject to CAP	11	5%	3%	12	5%	1%	18	9%	4%
PR	3	1%	0%	4	2%	1%	3	1%	1%
TOTAL	242	100%	100%	215	100%	100%	200	100%	100%

	2020			2019			2018		
EUROPEAN UNION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	233	57%	44%	267	55%	50%	232	51%	41%
B	154	38%	56%	167	35%	49%	194	42%	58%
C	1	0%	0%	6	1%	0%	10	2%	0%
Subject to CAP	7	2%	0%	4	1%	0%	8	2%	0%
PR	12	3%	0%	41	8%	1%	15	3%	1%
TOTAL	407	100%	100%	485	100%	100%	459	100%	100%

c) Continuous improvement of the supply chain

2020 social Corrective Action Plans in factories with sensitive non-compliances of the Code of Conduct

GEOGRAPHICAL AREA	FACTORIES THAT BEGAN THE IMPROVEMENT PROCESS	FACTORIES THAT IMPROVED THEIR COMPLIANCE	FACTORIES IN THE PROCESS OF IMPROVEMENT	% CAPS SUCCESSFULLY COMPLETED
Africa	11	3	7	75%
Americas	2	0	2	-
Asia	435	178	165	66%
Europe (non-EU)	242	57	137	54%
European Union	25	17	6	89%
TOTAL	715	255	317	64%

2020 environmental Corrective Action Plans in factories with sensitive non-compliances of the *Green to Wear 2.0* standard

GEOGRAPHICAL AREA	FACTORIES THAT BEGAN THE IMPROVEMENT PROCESS	FACTORIES THAT IMPROVED THEIR COMPLIANCE	FACTORIES IN THE PROCESS OF IMPROVEMENT	% CAPS SUCCESSFULLY COMPLETED
Africa	14	0	14	-
Americas	1	0	1	-
Asia	274	43	211	68%
Europe (non-EU)	104	19	81	83%
European Union	97	8	85	67%
TOTAL	490	70	392	71%



Our product sustainability indicators

a) Results of the Picking Programme

The Picking Programme allows us to validate that our products comply with the health and safety standards of the Group, *Clear to Wear* (CTW) and *Safe to Wear* (STW). In 2020, the initial degree of compliance with our standards was 98.3%. For those initially non-complying cases (1.7%), we apply remediation protocols so that these products are properly fixed and the presence of restricted substances is eliminated or parameters such as colour fastness are improved to achieve compliance.

Degree of initial compliance

	2020	2019	2018	2017	2016
CTW - Chemical Substances	99.3%	98.9%	99.1%	99.1%	99.2%
CTW - Parameters	99.3%	98.8%	98.6%	98.9%	98.2%
CTW	98.6%	97.8%	97.7%	98.0%	97.5%
STW - Parameters	99.9%	99.8%	99.8%	99.8%	99.9%
STW - Design	99.8%	99.7%	99.8%	99.8%	99.7%
STW	99.7%	99.6%	99.6%	99.6%	99.6%
CTW+STW	98.3%	97.4%	97.4%	97.6%	97.1%

Degree of initial compliance by geographical area

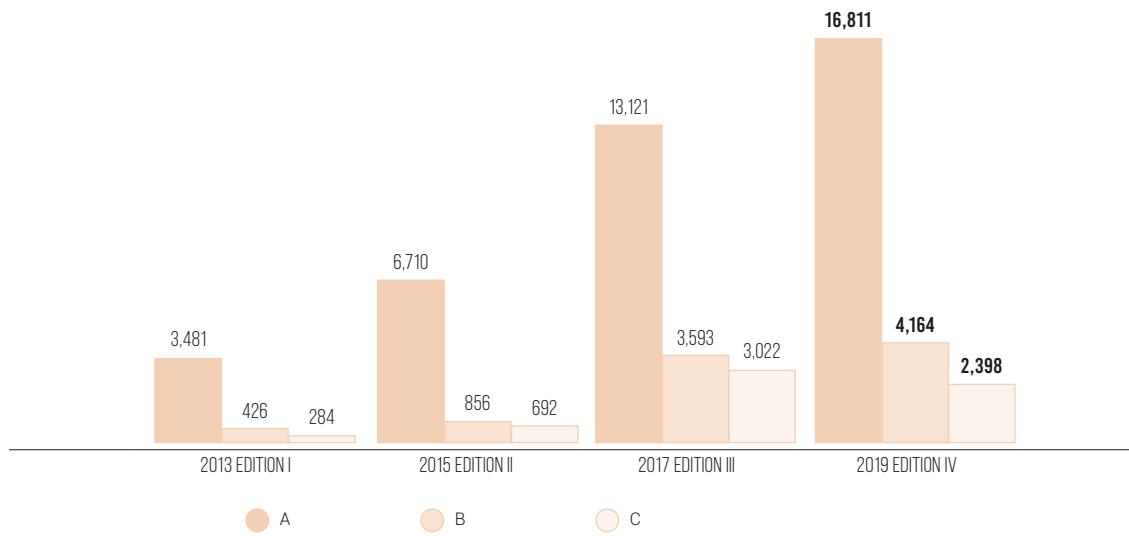
AFRICA	2020	2019	2018	2017	2016
CTW	99.2%	98.4%	97.7%	98.4%	98.0%
STW	99.2%	98.8%	99.4%	99.0%	99.2%
CTW+STW	98.4%	97.2%	97.1%	97.4%	97.3%
AMERICAS	2020	2019	2018	2017	2016
CTW	86.3%	100.0%	96.1%	97.7%	98.7%
STW	100.0%	100.0%	100.0%	100.0%	100.0%
CTW+STW	86.3%	100.0%	96.1%	97.7%	98.7%

ASIA	2020	2019	2018	2017	2016
CTW	98.4%	97.5%	97.5%	97.7%	97.1%
STW	99.8%	99.7%	99.8%	99.8%	99.8%
CTW+STW	98.2%	97.3%	97.3%	97.6%	96.9%
EUROPEAN UNION	2020	2019	2018	2017	2016
CTW	99.1%	98.8%	98.3%	98.7%	98.2%
STW	99.5%	99.4%	99.5%	99.3%	99.3%
CTW+STW	98.7%	98.2%	97.8%	98.1%	97.5%
EUROPE (NON-EU)	2020	2019	2018	2017	2016
CTW	99.5%	95.8%	99.6%	98.7%	97.3%
STW	99.8%	100.0%	100.0%	100.0%	99.0%
CTW+STW	99.3%	95.8%	99.6%	98.7%	96.2%

b) The List, by Inditex Programme

The List, by Inditex, contains a **register of chemical products available on the market that are used in the manufacturing processes of textiles and leather**. In 2019, we published the 4th edition of the programme with a total of 83,257 analyses, which allowed the classification of 27,756 chemical products (although in the end the 4th edition published includes 23,373 chemicals). It should be pointed out that due to two participants leaving the project, the 4th edition includes less chemical products than those evaluated and classified in the programme.

	1 ST EDITION	2 ND EDITION	3 RD EDITION	4 TH EDICIÓN
Manufacturers	10	15	22	24
Number of manufacturers requests	10	5	78	98
(acceptance %)	(100%)	(100%)	(13%)	(4%)
Number of chemical products classified	4,191	8,258	19,736	23,373
Number of analyses	1,774	8,289	36,605	83,257

EVOLUTION OF THE MAIN INDICATORS OF *THE LIST*, BY INDITEX PROGRAMME BY EDITION PUBLISHED:

"A" chemical products: Their use is permitted in Inditex production without additional analysis by the facilities that use them.

"B" chemical products: The use of these products in Inditex's supply chain entails additional analyses during production, as indicated in the *Green to Wear 2.0* standard.

"C" chemical products: These are chemical products banned for use in Inditex's production.



Minimising environmental impact across the value chain indicators

The chapter Minimising environmental impact across the value chain reflects a set of quantitative environmental indicators with their performance in 2020 and their evaluation over the last years. These quantitative indicators allow the advances obtained through the management of natural and energy resources during the year to be assessed.

a) Scope of the indicators

The environmental indicators system includes the data obtained between 1 February 2020 and 31 January 2021.

The data is shown in absolute and relative terms, with the latter being calculated based on the surface square metres of our facilities and based on the level of net sales, for the purpose of representing the efficiency reached after the company activities and the continuous improvement derived from the management.

The scope of the indicators includes the facilities of the Inditex Group, specifically:

- The headquarters in Arteixo (A Coruña) and all the brands' offices: Zara, Pull&Bear, Massimo Dutti, Bershka,

Stradivarius, Oysho, Zara Home, Uterqüe and Tempe, all of them located in Spain.

- All of the Group's own factories, located in Spain.
- All Group logistics centres.
- All of our own stores.

International offices are not included within the scope. Indicators where the scope is different are given together with the relevant data.

b) Calculations of relative indicators

The calculation of the relative indicators is performed according to the following formula:

- Ratio per square metre (m^2) = (absolute value of the year / total surface area in m^2) x 1,000
- Ratio per net sales = (absolute value of the year/€) x 1,000 ⁽¹⁾

(1) Includes sales made in our own stores and in franchises.



c) Greenhouse gas (GHG) emissions

The Greenhouse Gas (GHG) emissions of the Inditex Group are calculated and reported following the international guidelines of the Intergovernmental Panel on Climate Change, IPCC (Guidelines for National Greenhouse Gas Inventories, 2006) and the World Resources Institute (GHG Protocol, 2015).

Specifically, Scope 3 emissions are broken down according to the categories established by the GHG Protocol. With a view to greater transparency, the *Purchased goods and services category* (according to the GHG Protocol) is subdivided into the following categories: raw materials extraction, raw material processing, material production, wet processes and finished product assembly. The category *use of sold products* includes the emissions coming from the use the customer makes of our products, taking into account different washing and drying patterns. The *others* category includes emissions associated with *capital goods, employee commuting, fuel and energy related activities, and waste generated in operations*.

d) Factors applied in the calculation

The emission factors applied are as follows:

- Natural gas: 0.2021 Kg CO₂eq/kWh.
- Diesel: 2.6853 Kg CO₂eq/litre.
- Fuel oil: 2.9486 Kg CO₂eq/litre.

- Kerosene: 2.4995 Kg CO₂eq/litre.

The emission factors applied to natural gas, diesel, fuel oil and kerosene come from the GHG Protocol tool for the calculation of emissions derived from stationary combustion, version 4.1 of the World Resources Institute (WRI), 2015. For the calculation of emissions for electricity consumption, the emission factor for the energy mix of each market where Inditex is present has been used. The database used corresponds to the GHG Protocol calculation tool of emissions derived from the electricity purchased, version 4.9 of the World Resources Institute (WRI), 2017.

Conversion factors:

- 1 tonne of diesel = 1.035 tonnes of oil equivalent (toe.).
- 1 tonne of fuel oil = 0.96 tonnes of oil equivalent (toe.).
- 1 tonne of kerosene = 1.065 tonnes of oil equivalent (toe.).
- Diesel density = 0.832 kg/litre at 15°C (Joint Research Centre, 2007).
- Fuel oil density = 0.79 kg/litre (World Resources Institute (2015). GHG Protocol tool for stationary combustion. V.4.1.).
- Kerosene density = 0.94 kg/litre (World Resources Institute (2015). GHG Protocol tool for stationary combustion. V.4.1.).
- 1 toe = 41.868 GJ.
- 1 GJ = 277.778 kWh.



Corporate Community Investment indicators

	2020	2019	2018	2017	2016	VARIATION
CORPORATE COMMUNITY INVESTMENT (CCI) (IN EUROS)	71,803,602	49,231,909	46,218,895	48,129,552	40,042,744	79%
CCI/ PROFIT BEFORE TAXES	5.1%	1.1%	1.0%	1.1%	1.0%	422%

FORM OF CONTRIBUTION (IN EUROS)	2020	2020%	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2020
CASH	50,247,787	70%	33,248,048	68%	30,109,825	65%	31,563,507	66%	27,980,509	70%	80%
TIME	5,341,060	7%	3,668,531	7%	3,542,309	8%	2,204,859	5%	1,929,798	5%	177%
IN KIND	15,046,374	21%	11,684,094	24%	11,935,563	26%	13,812,547	29%	9,584,482	24%	57%
MANAGEMENT COSTS	1,168,380	2%	631,236	1%	631,198	1%	548,639	1%	547,955	1%	113%
TOTAL	71,803,602	100%	49,231,909	100%	46,218,895	100%	48,129,552	100%	40,042,744	100%	79%

of management costs included

DRIVER FOR CONTRIBUTION (IN EUROS)	2020	2020%	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2020
CHARITABLE GIFTS	1,915,938	3%	1,633,093	3%	1,801,149	4%	3,263,743	7%	3,395,686	9%	- 44%
COMMUNITY INVESTMENT	55,242,082	78%	36,668,336	75%	36,179,975	79%	37,020,064	78%	29,245,004	74%	89%
COMMERCIAL INITIATIVES IN THE COMMUNITY	13,477,202	19%	10,299,244	21%	7,606,572	17%	7,297,107	15%	6,854,099	17%	97%
TOTAL	70,635,222	100%	48,600,673	100%	45,587,697	100%	47,580,913	100%	39,494,788	100%	79%

of management costs excluded

ISSUE ADDRESSED (IN EUROS)	2020	2020%	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2020
EDUCATION	7,518,126	11%	8,501,897	17%	7,468,318	16%	7,727,769	16%	6,396,302	16%	18%
HEALTH	24,198,243	34%	2,798,355	6%	3,861,618	8%	3,725,615	8%	1,964,536	5%	1132%
ECONOMIC DEVELOPMENT	1,220,854	2%	1,304,020	3%	1,610,820	4%	1,735,233	4%	1,246,446	3%	- 2%
ENVIRONMENT	4,680,860	7%	5,446,742	11%	3,586,327	8%	2,653,158	6%	2,368,334	6%	98%
ARTS AND CULTURE	988,654	1%	1,221,122	3%	870,924	2%	870,516	2%	1,069,238	3%	- 8%
SOCIAL WELFARE	21,506,246	30%	19,646,921	40%	19,098,184	42%	20,180,975	42%	15,768,106	40%	36%
EMERGENCY RELIEF	10,522,239	15%	9,681,616	20%	9,044,621	20%	10,687,647	22%	10,681,827	27%	- 1%
OTHERS	0	0%	0	0%	46,883	0%	0	0%	0	0%	-
TOTAL	70,635,222	100%	48,600,673	100%	45,587,697	100%	47,580,913	100%	39,494,788	100%	79%

of management costs excluded

LOCATION OF ACTIVITY (IN EUROS)	2020	2020%	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2020
SPAIN	41,228,603	58%	17,529,175	36%	20,297,453	45%	20,893,381	44%	18,230,407	46%	126%
EUROPE (EXCL. SPAIN)	7,316,927	10%	7,464,704	15%	5,643,921	12%	5,356,042	11%	5,364,428	14%	36%
AMERICAS	10,357,432	15%	13,328,564	27%	10,208,058	22%	11,387,545	24%	10,459,233	26%	- 1%
ASIA AND REST OF THE WORLD	11,732,259	17%	10,278,231	21%	9,438,265	21%	9,943,946	21%	5,440,720	14%	116%
TOTAL	70,635,222	100%	48,600,673	100%	45,587,697	100%	47,580,913	100%	39,494,788	100%	79%

of management costs excluded

SDGS (IN EUROS)	2020	2020%	2019	2019%	2018	2018%	2017	2017%	2016	2016%	TOTAL 2016-2020	
1. END OF POVERTY	199,709	0.3%	52,547	0.1%	161,176	0.4%	1,459,180	3.1%	1,373,014	3.5%	3,245,626	
2. ZERO HUNGER	171,091	0.2%	399,582	0.8%	163,364	0.4%	221,255	0.5%	498,408	1.3%	1,453,699	
3. GOOD HEALTH AND WELL-BEING	28,371,255	40.2%	7,375,925	15.2%	7,260,232	15.9%	6,778,230	14.2%	4,467,632	11.3%	54,253,274	
4. QUALITY EDUCATION	4,958,119	7.0%	5,405,862	11.1%	5,824,809	12.8%	6,228,674	13.1%	4,755,360	12.0%	27,172,824	
5. GENDER EQUALITY	3,422,346	4.8%	2,581,715	5.3%	1,687,518	3.7%	1,744,451	3.7%	1,086,758	2.8%	10,522,787	
6. CLEAN WATER AND SANITATION	1,396,363	2.0%	952,531	2.0%	785,861	1.7%	812,227	1.7%	869,033	2.2%	4,816,015	
7. AFFORDABLE, CLEAN ENERGY	30,684	0.0%	20,000	0.0%	20,000	0.0%	135,237	0.3%	70,850	0.2%	276,771	
8. DECENT WORK AND ECONOMIC GROWTH	7,259,969	10.3%	7,859,961	16.2%	8,334,396	18.3%	9,857,883	20.7%	7,433,487	18.8%	40,745,695	
9. INDUSTRY, INNOVATION AND INFRASTRUCTURE	397,752	0.6%	1,884,953	3.9%	446,410	1.0%	950,353	2.0%	1,069,291	2.7%	4,748,759	% of management costs included
10. REDUCED INEQUALITY	12,901,353	18.3%	9,870,828	20.3%	9,294,145	20.4%	8,630,758	18.1%	6,784,429	17.2%	47,481,513	
11. SUSTAINABLE CITIES AND COMMUNITIES	793,168	1.1%	1,243,389	2.6%	1,206,475	2.6%	1,225,581	2.6%	1,608,358	4.1%	6,076,971	
12. RESPONSIBLE PRODUCTION AND CONSUMPTION	9,729,241	13.8%	8,818,385	18.1%	7,745,279	17.0%	7,453,651	15.7%	6,673,675	16.9%	40,420,231	
13. CLIMATE ACTION	115,627	0.2%	88,294	0.2%	89,427	0.2%	109,290	0.2%	65,514	0.2%	468,152	
14. UNDERWATER LIFE	160,416	0.2%	270,429	0.6%	378,437	0.8%	215,708	0.5%	453,811	1.1%	1,478,801	
15. LIFE OF TERRESTRIAL ECOSYSTEMS	250,000	0.4%	289,465	0.6%	379,806	0.8%	153,172	0.3%	492,714	1.2%	1,565,157	
16. PEACE, JUSTICE AND STRONG INSTITUTIONS	346,048	0.5%	621,561	1.3%	608,050	1.3%	470,933	1.0%	590,613	1.5%	2,637,205	
17. PARTNERSHIPS TO ACHIEVE GOALS	132,080	0.2%	865,247	1.8%	1,202,312	2.6%	1,134,331	2.4%	1,201,842	3.0%	4,535,812	
TOTAL	70,635,222	100%	48,600,673	100%	45,587,697	100%	47,580,913	100%	39,494,788	100%	251,899,293	

OUTPUT INDICATORS	2020	2019	2018	2017	2016	VARIATION 2016-2020
NUMBER OF HOURS SPENT BY EMPLOYEES ON CCI ACTIVITIES DURING WORKING HOURS	178,035	122,284	118,077	73,457	64,327	177%
NUMBER OF CCI PROJECTS IMPLEMENTED	703	670	622	594	519	35%
NUMBER OF GARMENTS DONATED TO SOCIAL CAUSES	4,114,490	3,164,804	3,225,462	3,673,993	2,083,980	97%
NUMBER OF DIRECT BENEFICIARIES	3,313,581	2,441,300	2,425,639	1,584,446	1,093,401	203%
NUMBER OF COMMUNITY ORGANISATIONS SUPPORTED	439	421	413	409	367	20%

	TOTAL 2016-2020					
NUMBER OF CHILDREN WITH ACCESS TO EDUCATION	31,054	43,443	48,794	30,461	46,406	200,158
NUMBER OF PEOPLE RECEIVING PROFESSIONAL TRAINING	14,399	26,763	32,514	27,311	38,096	139,083
NUMBER OF MIGRANTS, REFUGEES AND DISPLACED PEOPLE ASSISTED	172,160	405,335	952,935	306,702	185,262	2,022,394
NUMBER OF PEOPLE RECEIVING MEDICAL CARE	732,601	930,223	1,078,634	867,671	255,078	3,864,207
NUMBER OF JOBS CREATED THROUGH CCI PROJECTS	5,524	11,288	16,437	12,200	14,290	59,739

IMPACT INDICATORS	2020	2019	2018	2017	2016	VARIATION 2016-2020
NUMBER OF DIRECT BENEFICIARIES FOR WHICH IMPACT HAS BEEN MEASURED	3,272,473	2,406,380	2,401,131	1,527,237	571,577	473%

DEPTH OF IMPACT (NUMBER OF BENEFICIARIES THAT...):	2020	2019	2018	2017	2016	VARIATION 2016-2020
MADE A CONNECTION AS A RESULT OF THE INITIATIVE	2,147,665	1,108,752	599,741	89,846	63,692	3272%
MADE AN IMPROVEMENT AS A RESULT OF THE INITIATIVE	791,219	890,818	1,450,128	993,661	425,059	86%
MADE A TRANSFORMATION AS A RESULT OF THE INITIATIVE	333,589	406,810	351,262	443,730	92,826	259%

TYPE OF IMPACT (NUMBER OF BENEFICIARIES THAT...):	2020	2019	2018	2017	2016	VARIATION 2016-2020
EXPERIENCED A POSITIVE CHANGE IN THEIR BEHAVIOUR OR ATTITUDE AS A RESULT OF THE INITIATIVE	351,101	374,548	324,788	604,199	227,878	54%
DEVELOPED NEW SKILLS OR AN INCREASE IN THEIR PERSONAL EFFECTIVENESS	50,079	71,321	59,921	56,312	77,561	- 35%
EXPERIENCED A DIRECT POSITIVE IMPACT ON THEIR QUALITY OF LIFE	1,158,212	1,300,898	1,743,085	1,377,413	452,681	156%

SOCIAL CASH FLOW	2020	2019	2018	2017	2016
NET CASH RECEIVED FOR THE SALE OF PRODUCTS AND SERVICES	20,402	28,286	26,145	25,336	23,311
FLOW RECEIVED FROM FINANCIAL INVESTMENTS	6	31	29	26	21
CASH RECEIVED FOR SALES OF ASSETS	36	40	159	381	
TOTAL VALUE ADDED FLOW	20,444	28,357	26,333	25,743	23,332

DISTRIBUTION OF VALUE ADDED FLOW	2020	2019	2018	2017	2016
REMUNERATION TO EMPLOYEES FOR SERVICES	3,376	4,430	4,136	3,961	3,643
TAX ON PROFITS PAID	452	1,207	1,070	1,029	798
RETURN OF FINANCIAL DEBT	- 17	- 49	73	- 47	53
DIVIDENDS DELIVERED TO SHAREHOLDERS	1,090	2,741	2,335	2,127	1,871
CORPORATE COMMUNITY INVESTMENT	72	49	46	48	40
CASH RETAINED FOR FUTURE GROWTH	- 398	1,284	510	759	833
PAYMENTS MADE OUTSIDE THE GROUP FOR THE PURCHASE OF GOODS, RAW MATERIALS AND SERVICES	15,204	17,669	16,586	16,088	14,649
PAYMENTS MADE FOR INVESTMENTS IN NEW PRODUCTIVE ASSETS	665	1,026	1,577	1,778	1,445
TOTAL DISTRIBUTION OF VALUE ADDED FLOW	20,444	28,357	26,333	25,743	23,332

Indicators of our people

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

a) Emergency management

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

FINANCIAL YEAR 2020:

BRAND	SELF-PROTECTION PLAN		EMERGENCY AND EVACUATION PLAN	
	NEW	NEW	EXISTING	UPDATE
Bershka		14		10
Massimo Dutti		4		7
Oysho		1		12
Pull&Bear		7		46
Stradivarius		21		11
Uterqüe		1		2
Zara	2	22		83
Zara Home		1		7
TOTAL	2	71		178

FINANCIAL YEAR 2019:

BRAND	SELF-PROTECTION PLAN		EMERGENCY AND EVACUATION PLAN	
	NEW	NEW	EXISTING	UPDATE
Bershka		10		8
Massimo Dutti		13		8
Oysho		12		
Pull&Bear		18		26
Stradivarius		21		2
Uterqüe		1		3
Zara	1	29		28
Zara Home		4		
TOTAL	1	108		75

FINANCIAL YEAR 2018:

BRAND	SELF-PROTECTION PLAN		EMERGENCY AND EVACUATION PLAN	
	NEW	NEW	EXISTING	UPDATE
Bershka		10		8
Massimo Dutti		13		8
Oysho		12		
Pull&Bear		18		26
Stradivarius		21		2
Uterqüe		1		3
Zara	1	29		28
Zara Home		4		
TOTAL	1	108		75

EMERGENCY, SELF-PROTECTION AND EVACUATION PLANS

MARKET	2020	2019	2018
Spain	246	184	322
Albania	41	33	38
Germany	122	138	0
Argentina	11	11	11
Australia & New Zealand	19	2	0
Austria	25	23	24
Belgium	0	3	0
Belarus	0	0	25
Bosnia and Herzegovina	4	16	13
Brazil	7	2	0
Bulgaria	35	40	39
Canada	0	0	43
Chile	1	0	13
Mainland China	167	164	0
South Korea	40	46	1
Croatia	3	10	43
Denmark	0	0	17
Slovakia	16	16	16
Slovenia	16	5	40
United States	16	0	2
Finland	0	0	8
France	378	300	0
Greece	164	166	165
Hungary	39	39	39
India	0	0	0
Ireland	20	0	13
Italy	70	285	287
Japan	4	3	3
Kazakhstan	2	36	80
Luxembourg	0	12	0
Macedonia	0	5	5
Mexico	315	116	38
Montenegro	0	2	0
Norway	0	1	8
The Netherlands	0	0	0
Poland	245	248	238
Portugal	18	0	0
United Kingdom	14	0	49
Czech Rep.	22	0	24
Romania	143	0	10
Russia	124	0	123
Serbia	23	0	26
South Africa	0	0	9
Sweden	2	0	0
Switzerland	40	0	0
Turkey	229	0	15
Ukraine	0	0	0
Uruguay	4	0	4



Other emergency management activities are summarised in the following tables:

FINANCIAL YEAR 2020

WORK CENTRE	DESCRIPTION
Industria de Diseño Textil S.A. Factories Bershka	Laracha logistics centre evacuation drill
Factories	Evacuation drill
Bershka Indipunt Pull&Bear Logística Plataforma Logística Meco Oficinas Tordera (All brands) Oysho Logística	Event Report New Collection SS20
Indipunt	Evacuation drill
Pull&Bear Logística	Update of the Self-protection Plan and Drill
Meco Logistics Platform	Update of the Self-Protection Plan
Tordera offices (all brands)	Drill Procedure Report
Oysho Logística	Drill Procedure Report

FINANCIAL YEAR 2019

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

b) Occupational Health and Safety Indicators

Accident rates⁽¹⁾:

FINANCIAL YEAR 2020⁽²⁾

SPAIN	ACCIDENT RATE ⁽³⁾	FREQUENCY RATE ⁽⁴⁾	SEVERITY INDEX ⁽⁵⁾
OWN STORES			
Women	14.08	14.81	1.08
Men	12.17	12.88	1.6
LOGISTICS CENTRES			
Women	68.99	72.38	1.24
Men	81.95	76.80	1.18
OWN FACTORIES			
Women	8.40	6.93	1.14
Men	0.00	0.00	0.00
CENTRAL SERVICES			
Women	2.68	1.77	0.38
Men	2.5	1.4	0.47

EUROPE EX-SPAIN ⁽⁶⁾	INCIDENT RATE ⁽³⁾	FREQUENCY RATE ⁽⁴⁾
Women	13.06	14.76
Men	15.31	17.29

ASIA & ROW ⁽⁷⁾	INCIDENT RATE ⁽³⁾	FREQUENCY RATE ⁽⁴⁾
Women	4.50	3.73
Men	4.00	3.26

AMERICA ⁽⁸⁾	INCIDENT RATE ⁽³⁾	FREQUENCY RATE ⁽⁴⁾
Women	40.86	45.84
Men	31.20	34.20

Occupational diseases:

SPAIN	LOGISTICS CENTRES	OWN STORES	OWN FACTORIES
Women	4	1	2
Men	10	0	0

REST	EUROPE EX-SPAIN	ASIA & ROW	AMERICA
Women	21	0	23
Men	3	0	11

FINANCIAL YEAR 2019

SPAIN	INCIDENT RATE ⁽³⁾	FREQUENCY RATE ⁽⁴⁾	SEVERITY INDEX ⁽⁵⁾
OWN STORES			
Women	19.28	10.71	0.19
Men	13.31	7.39	0.15
LOGISTICS CENTRES			
Women	100.45	55.80	1.58
Men	107.94	59.97	1.53
OWN FACTORIES			
Women	58.12	32.29	0.99
Men	64.91	36.06	1.88
CENTRAL SERVICES			
Women	3.51	1.95	0.03
Men	2.48	1.38	0.00

EUROPE EX-SPAIN	INCIDENT RATE ⁽³⁾	FREQUENCY RATE ⁽⁴⁾
Women	20.80	17.50
Men	17.30	13.50

ASIA & ROW	INCIDENT RATE ⁽³⁾	FREQUENCY RATE ⁽⁴⁾
Women	3.50	2.60
Men	2.80	2.00

AMERICA	INCIDENT RATE ⁽³⁾	FREQUENCY RATE ⁽⁴⁾
Women	17.90	13.00
Men	15.40	10.70

Occupational diseases:

SPAIN	LOGISTICS CENTRES	OWN STORES	OWN FACTORIES
Women	10	1	9
Men	9		0

(1) Accident rate data are shown only as ratios since these represent accurately the performance of the Company in the field of Occupational Health and Safety..

(2) In the process of implementation in Systems to report data on severity rates in Europe, America, Asia and the rest of the world.

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

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

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

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

(7) Australia, South Korea, Japan, mainland China and South Africa.

(8) Argentina, Canada, Chile, United States, Mexico and Uruguay.

FY 2018

SPAIN	INCIDENT RATE ⁽⁹⁾	FREQUENCY RATE ⁽⁴⁾	SEVERITY INDEX ⁽⁵⁾
OWN STORES			
Women	18.00	14.70	0.41
Men	20.70	14.60	0.25
LOGISTICS CENTRES			
Women	107.80	70.90	1.96
Men	126.50	78.80	1.65
OWN FACTORIES			
Women	73.80	53.60	1.82
Men	167.70	102.00	3.00
CENTRAL SERVICES			
Women	3.20	1.80	0.05
Men	2.20	1.20	0.07
EUROPE			
Women	19.30	16.90	
Men	17.00	14.70	
ASIA AND REST OF THE WORLD			
Women	6.70	5.40	
Men	3.50	2.80	
AMERICAS			
Women	12.00	9.10	
Men	11.40	8.50	

Accidents involving employees of external companies:

MARKET	2020
SPAIN	5
GERMANY	3
RUSSIA	1

In 2020, we recorded six cases of occupational accidents with a recovery of more than 180 days in Spain, and no serious accidents in the other markets that qualify as such according to this criterion or the applicable local criterion. Meanwhile, there have been no fatalities resulting from an occupational injury or accident in any of the markets where the Group operates.

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

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

c) Leavers

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

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

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

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

(9) The information corresponding to the remaining 4% is not available.

d) Training

	2020				2019				2018			
	TRAINING HOURS	PARTICIPANTS	WORKFORCE	HOURS PER PERSON	TRAINING HOURS	PARTICIPANTS	WORKFORCE	HOURS PER PERSON	TRAINING HOURS	PARTICIPANTS	WORKFORCE	HOURS PER PERSON
JOB CLASSIFICATION												
MANAGEMENT	126,121	46,054	12,591	10	170,913	26,647	10,473	16.3	98,282	9,044	7,601	12.9
SUPERVISORS	126,282	49,892	16,480	7.7	260,524	39,447	19,779	13.2	253,276	19,124	20,350	12.4
SPECIALISTS	748,448	275,659	115,045	6.5	2,657,853	295,156	146,359	18.2	2,400,265	118,278	146,435	16.4
TOTAL	1,000,851	371,605	144,116	6.9	3,089,290	361,250	176,611	17.5	2,751,823	146,446	174,386	15.8

	2020				2019			
	TRAINING HOURS	PARTICIPANTS	AVERAGE STAFF	HOURS PER PERSON	TRAINING HOURS	PARTICIPANTS	AVERAGE STAFF	HOURS PER PERSON
GENDER								
MALE				7.4	717,280	82,930	43,146	16.6
FEMALE				6.8	2,372,010	278,320	133,465	17.8
TOTAL	1,000,851	371,605	144,116	6.9	3,089,290	361,250	176,611	17.5

	2020		2019	
	TRAINING HOURS	PARTICIPANTS	TRAINING HOURS	PARTICIPANTS
CONTENT				
CORPORATE (ABOUT US)		252,570	168,746	131,289
CUSTOMER		35,241	25,420	
FASHION AND PRODUCT		124,328	88,236	102,982
LANGUAGES		52,617	2,433	2,536
PROCESSES, TECHNIQUES AND TOOLS		488,963	55,992	60,701
SKILLS AND OTHERS		47,132	30,778	63,742
TOTAL	1,000,851	371,605	3,089,290	361,250

	2020		2019	
	TRAINING HOURS	PARTICIPANTS	TRAINING HOURS	PARTICIPANTS
GEOGRAPHICAL AREA				
SPAIN		218,789	351,421	117,637
EUROPE (EXCL. SPAIN)		565,654	2,085,281	163,656
AMERICAS		61,725	45,684	48,929
ASIA AND REST OF THE WORLD		154,683	606,904	31,028
TOTAL	1,000,851	371,605	3,089,290	361,250

Contribution of Inditex towards the Sustainable Development Goals. Key indicators

SDGS	TARGETS	INITIATIVES FOR BEING A RESPONSIBLE AND SUSTAINABLE COMPANY	MAIN INDICATOR OR RELATED CONTENT	PAGES
	1.2	Corporate Community Investment	GRI 203-2	396-414
		2.1	Corporate Community Investment	GRI 203-2
2.4		Corporate Community Investment	GRI 203-2	396-414
3.4		Response to the global challenges arising from covid-19	GRI 403-2	76-79
3.4		Contribution to the socio-economic development of workers and the industry	Supply chain workers benefiting from health and safety programmes	235
	3.8	Corporate Community Investment	GRI 203-2	396-414
	3.8	Covid-19 donations	Investment in the global health emergency programme in terms of community investment	375-379
	3.9	Minimising environmental impact across the value chain	GRI 305-1; GRI 305-2; GRI 305-3	294-296, 319-320, 436-437
	3.9	Sustainability of our products	Chemical substances included in the Manufacturing Restricted Substances List (MRSL)	337
		4.4 and 4.5	Talent management	GRI 404-1
4.4 and 4.5		Corporate Community Investment	GRI 203-2	396-414
5.1		Diversity, inclusion, equality, and work-life balance	GRI 405-1; GRI 401-3	92-93, 168-173
5.1		Remuneration policy	GRI 405-2	168, 184-185
5.1		Contribution to the socio-economic development of workers and the industry	Supply chain workers benefiting from gender, diversity and inclusion programmes	224
	5.1	Robust Compliance architecture	GRI 405-1	92-93, 168-173
	5.1	Corporate Community Investment	GRI 203-2	396-414
	5.2	Sustainable management of the supply chain	GRI 414-2	362-365
	5.2	Human Rights	Human rights due diligence processes	369-371
	5.5	Robust Compliance architecture	GRI 102-22	128-129
	6.1	Human Rights	Human Rights due diligence processes	362-365
	6.3	Circularity	GRI 306-1	304-305
	6.4	Minimising environmental impact across the value chain	GRI 303-1	304-305
	6.4	Sustainable management of the supply chain	Number of environmental audits carried out and the resulting corrective action plans	363-364
	6.4	Corporate Community Investment	GRI 203-2	396-414
		7.2	Minimising environmental impact across the value chain	GRI 302-1
7.2		Corporate Community Investment	GRI 203-2	396-414
7.3		Minimising environmental impact across the value chain	GRI 302-4	20, 292-293, 296-303, 319-321
8.5		Employment	GRI 102-8	20-21, 78-79, 128-129
8.5		Remuneration policy	GRI 405-2	168, 184-185
	8.5	Contribution to the socio-economic development of workers and the industry	Workers involved in the Workers at the Centre 2019-2022 programmes	204
	8.5	Corporate Community Investment	GRI 203-2	396-414
	8.5	Robust Compliance architecture	Policies formalising Inditex's commitment to decent work	115-116, 356
	8.6	Talent management	GRI 401-1	588
	8.6	Corporate Community Investment	GRI 203-2	396-414
	8.7	Contribution to the socio-economic development of workers and the industry	GRI 409-1	359-362
	8.7	Sustainable management of the supply chain	GRI 408-1; GRI 409-1	359-362
	8.7	Human Rights	Human Rights due diligence processes	369-371
	8.8	Response to the global challenges arising from covid-19	Actions taken for the protection of workers in the supply chain	80-87
	8.8	Labour relations	GRI 102-41	83-87, 98, 216
8.8	Contribution to the socio-economic development of workers and the industry	GRI 407-1	208-213, 362, 370	
8.8	Sustainable management of the supply chain	GRI 407-1	208-213, 362, 370	
8.8	Corporate Community Investment	GRI 203-2	396-414	

SDGS	TARGETS	INITIATIVES FOR BEING A RESPONSIBLE AND SUSTAINABLE COMPANY	MAIN INDICATOR OR RELATED CONTENT	PAGES	
	9.2	Tax contribution and tax transparency	GRI 201-1	440	
	9.4	Corporate Community Investment	GRI 203-1	20-21, 382-387, 438-440	
	9.4	Circularity	Recycling innovation initiatives	265-266	
	9.4	Minimising environmental impact across the value chain	Percentage of eco-efficient stores and reduction in consumption associated with them	299	
	9.4	Sustainability of our products	Initiatives developed by the Sustainability Innovation Hub	327	
	9.5	Information security and privacy	Technology-related information security initiatives	110-111	
	9.5	Innovation	Innovation initiatives carried out in the scopes of people, process, planet and communities	154-160	
	10.2	Human Rights	Application of the Human Rights Policy	368-369	
	10.2	Corporate Community Investment	GRI 203-2	396-414	
	10.3	Diversity, inclusion, equality, and work-life balance	Global initiatives to promote diversity and inclusion	168-171	
	10.3	Remuneration policy	GRI 405-2	168, 184-185	
	10.7	Contribution to the socio-economic development of workers and the industry	Workers benefiting from protection of migrants programmes	242	
	11.1	Corporate Community Investment	GRI 203-1	20-21, 382-387, 438-440	
	12.2	Our approach to sustainability	Number of internal people dedicated to sustainability	20	
	12.2	Contribution to the socio-economic development of workers and the industry	Trained suppliers	217	
	12.2	Circularity	Training designers in the principles of circular economy	278	
	12.2	Sustainability of our products	GRI 301-1; GRI 301-2	269-271, 324-334	
	12.2	Sustainable management of the supply chain	Identification of suppliers and manufacturers	352	
		12.2	Minimising environmental impact across the value chain	GRI 302-2	294-295
		12.2	Corporate Community Investment	GRI 203-2	396-414
		12.4	Minimising environmental impact across the value chain	GRI 306-1	304-305
		12.4	Sustainability of our products	Chemical substances regulated in <i>The List, by Inditex</i>	331, 434
		12.5	Circularity	GRI 306-2	262-281, 324-327
		12.5	Sustainability of our products	GRI 301-2	269-271, 324-334
		12.8	Customer focus	Number of enquiries received by the various customer service channels	104-105
		12.8	Acknowledgements	Recognition received in terms of transparency in the area of sustainability	426-427
			13.1	Minimising environmental impact across the value chain	GRI 305-5; GRI 302-1
13.1			Alignment with the Task Force on Climate-related Financial Disclosures (TCFD)	GRI 201-2	50-53, 60-61, 312-321, 523, 526
13.1	Corporate Community Investment		GRI 203-2	396-414	
	14.1	Sustainability of our products	Actions within the framework of the commitment to <i>Zero Discharge of Hazardous Chemicals</i> by 2020	331	
	14.3	Minimising environmental impact across the value chain	GRI 305-1	294-296, 319-320, 436-437	
	14.3	Corporate Community Investment	GRI 203-2	396-414	
	15.1	Circularity	Projects of recycled raw materials with less impact	265-266	
	15.1	Sustainability of our products	GRI 304-2	328-334	
	15.2	Corporate Community Investment	GRI 203-2	396-414	
	16.3	Corporate Community Investment	GRI 203-2	396-414	
	16.3	Human Rights	Grievance mechanisms	371	
	16.5	Robust Compliance architecture	GRI 205-1	114-116	
	16.7	Labour relations	Employees covered by collective agreements	98	
	16.7	Robust Compliance architecture	GRI 102-24	128-129, 132	
	16.7	Shareholder relations	Requests attended by the shareholder's office	189	
	17.3	Corporate Community Investment	GRI 203-2	396-414	
	17.16	Contribution to the socio-economic development of workers and the industry	Cooperation relationship with international entities	418-423	
	17.16	Circularity	Cooperation relationship with international entities	418-423	
	17.16	Sustainability of our products	Cooperation relationship with international entities	418-423	
	17.16	Corporate Community Investment	GRI 203-2	396-414	
	17.16	Partnerships and commitments with civil society	Cooperation relationship with international entities	418-423	
	17.16	Acknowledgements	Acknowledgements received in the field of sustainability	426-427	
	17.16	Human Rights	Cooperation relationship with international entities	368	
	17.17	Contribution to the socio-economic development of workers and the industry	Public-private partnerships	254	
	17.17	Corporate Community Investment	GRI 203-2	396-414	
	17.17	Partnerships and commitments with civil society	Public-private partnerships	418-423	

● Indicators selected by Inditex based on the guide: *Business Reporting on the SDGs: An Analysis of Goals and Targets*.

● Indicators established by Inditex which correspond to disclosures present in the GRI Standards.

● Internal indicators established by Inditex.





Annual accounts



Economic and financial report

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Deloitte, S.L.
Ferro 1
15004 A Coruña
España

Tel: +34 981 12 46 00
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2020").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 January 2021, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of leases	
Description	Procedures applied in the audit
<p>Most of the premises in which the Group’s stores are located, as well as certain logistics centres and other assets, are leased (see Note 1).</p> <p>The measurement of the leases in accordance with the regulation in force (IFRS 16) requires management to make judgements and estimates that have a significant effect on the measurement of the right-of-use assets and of the associated financial liabilities, the most critical of which are those related to the determination of the term of, and the discount rate applicable to, each lease.</p> <p>In turn, the evolution of the Group’s business model towards an integrated model has led to frequent renegotiation of the leases in search for greater flexibility, and this trend has accelerated following the appearance of the covid-19 pandemic, which has increased the volume of renegotiations and, therefore, the risk of misstatements in accounting for the agreed-upon modifications.</p> <p>The large volume of leases, the diverse nature thereof and the significance and impact of the estimates made lead us to consider this matter to be a key matter in our audit.</p>	<p>In response to this key matter, our audit included, among others, the following procedures:</p> <ul style="list-style-type: none"> - An evaluation of the design, implementation and operating effectiveness of the key controls established by the Group on the significant estimates such as the lease term and the discount rates. - An evaluation of the reasonableness and consistency of the main assumptions used by management and the appropriateness thereof in relation to the applicable accounting framework. - For a representative sample of leases, verification that the lease term considered and the discount rate used were appropriate to the characteristics of the lease. - For a representative sample of rent concessions received as a consequence of the covid-19-related renegotiations, verification of the correct accounting in accordance with the regulation in force. - An evaluation of whether the disclosures included in the notes to the consolidated financial statements were in conformity with the applicable regulatory framework. <p>The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.</p>

Measurement of inventories

Description

The carrying amount of the Group's inventories was EUR 2,321 million at 31 January 2021, representing 8.8% of its total assets.

These inventories relate mainly to finished goods, are distributed among the distribution centres and stores managed by the Group and are measured as described in Note 2-h to the accompanying consolidated financial statements. The Group's business model is based on offering fashion products by means of an integrated and centralised model, to which end new stock-keeping units (SKUs) are continuously designed, purchased and distributed to the points of sale.

The fast-moving nature of fashion, the effects that the covid-19 pandemic is having on the performance of inventories and the complexity of the goods measurement process, which requires significant estimates to be made in order to determine the recoverable amount of each SKU, together with the importance of the inventories balance, lead us to consider this matter to be a key matter in our audit.

Procedures applied in the audit

In response to this key matter, our audit included, among others, the following procedures:

- An evaluation of the coherence of the accounting policies and practices applied by the Group to measure its inventories at 31 January 2021 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year.
- An evaluation of the design, implementation and operating effectiveness of the key controls established by the Group in the inventory measurement process.
- An evaluation of the key estimates used by Group management to determine the net realisable value of the Group's inventories, and of the consistency thereof with Group policies and other available information, such as sales returns after the reporting date, the historical sales of similar seasons and future sales forecasts, considering the potential impacts that the covid-19 pandemic might have thereon.
- A recalculation of the recoverable amount of the Group's finished goods inventories, for which we involved our IT experts.
- An evaluation of whether the disclosures included in the notes to the consolidated financial statements were in conformity with the applicable regulatory framework.

The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.

IT systems	
Description	Procedures applied in the audit
<p>The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on its IT system and the correct functioning thereof.</p> <p>In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing.</p> <p>Also, the restrictions and measures established as a result of covid-19 have given rise to changes in the performance of various processes and an increase in remote working, which increase certain cybersecurity risks such as unauthorised access to the systems and the system configuration required to ensure adequate remote working.</p> <p>Due to their importance and the audit effort required, the knowledge, evaluation and validation of operating effectiveness of the general IT controls and of certain automatic controls over financial reporting including controls relating to software maintenance and development and systems security and operation, were considered to constitute a key matter in our audit.</p>	<p>In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved:</p> <ul style="list-style-type: none"> - Identification of relevant IT items and software in the financial information preparation process. - Obtainment of the required understanding of the IT systems involved in the financial information preparation process and evaluation of the level of internal control over the systems. Our understanding focused, among other aspects, on the existence of an IT systems security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT software. - An evaluation of the design, implementation and operating effectiveness of general IT controls relating to access control, management of changes and of operations and maintenance of the software we considered relevant. - An evaluation of the design, implementation and operating effectiveness of the key automatic controls operating in certain business cycles, such as sales, cost of sales and the accounting closing. - A review of the cybersecurity risk management model for the main IT systems and evaluation of the security measures and action plans in relation to the risks stemming from the remote working environment. <p>The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the consolidated financial statements.</p>

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

- a) Solely checking that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Compliance Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Industria de Diseño Textil, S.A. and its subsidiaries for 2020, which comprise the XHTML file including the consolidated financial statements for 2020 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Industria de Diseño Textil, S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Parent's Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 8 March 2021.

Engagement Period

The Parent's Annual General Meeting held on 14 July 2020 appointed us as auditors for a period of one year from the year ended 31 January 2020.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 January 2013.

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17 March 2021

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

Consolidated income statement

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	2020	2019
Net sales	(3)	20,402	28,286
Cost of sales	(4)	(9,013)	(12,479)
GROSS PROFIT		11,390	15,806
		55.8%	55.9%
Operating expenses	(5)	(6,807)	(8,176)
Other losses and income, net	(6)	(31)	(33)
GROSS OPERATING PROFIT (EBITDA)		4,552	7,598
Amortisation and depreciation	(7)	(3,045)	(2,826)
NET OPERATING PROFIT (EBIT)		1,507	4,772
Financial results	(8)	(139)	(152)
Results of companies accounted for using the equity method	(17)	33	61
PROFIT BEFORE TAXES		1,401	4,681
Income tax	(24)	(297)	(1,034)
NET PROFIT		1,104	3,647
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(2)	8
NET PROFIT ATTRIBUTABLE TO THE PARENT		1,106	3,639
BASIC AND DILUTED EARNINGS PER SHARE, EUROS	(9)	0.355	1.168

Consolidated statement of comprehensive income

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	2020	2019
Net profit		1,104	3,647
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognised directly in equity:			
Translation differences related to financial statements of foreign operations		(393)	35
Cash flow hedges			
Profit	(25)	-	1
Loss	(25)	(3)	(6)
Tax effect		-	1
TOTAL		(396)	31
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(1)	(3)
Loss	(25)	6	11
Tax effect		(1)	(3)
TOTAL		4	5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		713	3,684
Total comprehensive income attributable to:			
Equity holders of the Parent		714	3,676
Non-controlling interests		(2)	8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		713	3,684

Consolidated balance sheet

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	31/01/2021	31/01/2020
ASSETS			
NON-CURRENT ASSETS		15,460	16,977
Rights of use	(15)	5,477	6,043
Other intangible assets	(14)	444	410
Goodwill	(16)	201	207
Property, plant and equipment	(13)	7,401	8,355
Investment property		21	21
Financial investments	(17)	261	249
Other non-current assets	(18)	380	456
Deferred tax assets	(24)	1,276	1,236
CURRENT ASSETS		10,957	11,414
Inventories	(12)	2,321	2,269
Trade and other receivables	(11)	715	780
Income tax receivable	(24)	257	174
Other current assets		88	78
Other financial assets	(25)	2	14
Current financial investments	(20)	176	3,319
Cash and cash equivalents	(20)	7,398	4,780
TOTAL ASSETS		26,418	28,391
EQUITY AND LIABILITIES			
EQUITY		14,550	14,949
Equity attributable to the Parent		14,520	14,913
Equity attributable to non-controlling interests		30	36
NON-CURRENT LIABILITIES		5,529	6,136
Provisions	(21)	252	217
Other non-current liabilities	(22)	280	380
Financial debt	(20)	3	6
Lease liability	(15)	4,599	5,163
Deferred tax liabilities	(24)	396	370
CURRENT LIABILITIES		6,338	7,306
Financial debt	(20)	11	32
Other financial liabilities	(25)	27	40
Lease liability	(15)	1,552	1,649
Income tax payable	(24)	88	142
Trade and other payables	(19)	4,659	5,443
TOTAL EQUITY AND LIABILITIES		26,418	28,391

Consolidated statement of cash flows

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	2020	2019
PROFIT BEFORE TAXES AND NON-CONTROLLING INTEREST		1,401	4,681
Adjustments to profit			
Amortisation and depreciation	(7)	3,045	2,826
Foreign exchange translation differences		-	(19)
Provisions for impairment		(223)	244
Results from companies consolidated by equity method	(17)	(33)	(61)
Lease financial expenses	(8)	120	142
Other		6	90
Income tax paid		(452)	(1,207)
FUNDS FROM OPERATIONS		3,864	6,695
Variation in assets and liabilities			
Inventories		93	201
Receivables and other current assets		34	(10)
Current payables		(974)	14
CHANGES IN WORKING CAPITAL		(847)	205
CASH FLOWS FROM OPERATING ACTIVITIES		3,017	6,900
Payments relating to investments in intangible assets		(241)	(238)
Payments relating to investments in property, plant and equipment		(467)	(914)
Collections relating to divestments of property, plant and equipment		36	40
Payments relating to investments in companies		(5)	-
Collections relating investment in other financial investments		12	70
Payments relating investment in other assets	(18)	(6)	(7)
Collections relating investment in other assets	(18)	42	63
Changes in current financial investments		3,143	(1,390)
CASH FLOWS FROM INVESTING ACTIVITIES		2,514	(2,377)
Payments relating to non-current financial debt		(6)	(3)
Changes in current financial debt		(17)	(49)
Lease payments fixed charge		(1,673)	(1,836)
Dividends		(1,090)	(2,741)
CASH FLOWS USED IN FINANCING ACTIVITIES		(2,786)	(4,629)
Net increase in cash and cash equivalents		2,745	(106)
Cash and cash equivalents at the beginning of the year	(20)	4,780	4,866
Effect of exchange rate fluctuations on cash and cash equivalents		(127)	20
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(20)	7,398	4,780

Consolidated statement of changes in equity

(AMOUNTS IN MILLIONS OF EUROS) EQUITY ATTRIBUTABLE TO THE PARENT

	CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	OTHER RESERVES	RESERVES OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	TREASURY SHARES	TRANSLATION DIFFERENCES	CASH FLOWS	SUBTOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT 31 JANUARY 2019	94	20	14,719	117	206	(77)	(420)	(6)	14,653	30	14,683
Adjustment on initial application of new Reporting standards	-	-	(670)	-	-	-	-	-	(670)	-	(670)
BALANCE AT 1 FEBRUARY 2019	94	20	14,049	117	206	(77)	(420)	(6)	13,982	30	14,013
Profit for the year	-	-	3,639	-	-	-	-	-	3,639	8	3,647
Distribute results	-	-	(54)	-	54	-	-	-	-	-	-
Distribute dividends	-	-	45	-	(45)	-	-	-	-	-	-
Transfers	-	-	50	(34)	-	-	(17)	-	-	-	-
Other movements	-	-	(28)	-	(1)	-	-	-	(29)	(2)	(30)
Argentina reexpression	-	-	9	-	-	-	-	-	9	-	9
Other comprehensive income for the year	-	-	-	-	-	-	35	2	36	-	36
- Translation differences related to foreign operations	-	-	-	-	-	-	35	-	35	-	35
- Cash flow hedges	-	-	-	-	-	-	-	2	2	-	2
Operations with equity holders or owners	-	-	(2,718)	(25)	-	17	-	-	(2,726)	-	(2,726)
- Share-based collections	-	-	-	27	-	-	-	-	27	-	27
- Share-based payments	-	-	23	(53)	-	17	-	-	(13)	-	(13)
- Dividends	-	-	(2,741)	-	-	-	-	-	(2,741)	-	(2,741)
BALANCE AT 31 JANUARY 2020	94	20	14,993	58	214	(60)	(402)	(4)	14,913	36	14,949
BALANCE AT 1 FEBRUARY 2020	94	20	14,993	58	214	(60)	(402)	(4)	14,913	36	14,949
Profit for the year	-	-	1,106	-	-	-	-	-	1,106	(2)	1,104
Distribute results	-	-	(251)	190	61	-	-	-	-	-	-
Distribute dividends	-	-	25	-	(25)	-	-	-	-	-	-
Transfers	-	-	(83)	-	(8)	-	91	-	-	-	-
Other movements	-	-	(28)	-	(2)	-	-	-	(29)	(4)	(33)
Argentina reexpression	-	-	10	-	-	-	-	-	10	-	10
Other comprehensive income for the year	-	-	-	-	-	-	(393)	1	(392)	-	(392)
- Translation differences related to foreign operations	-	-	-	-	-	-	(393)	-	(393)	-	(393)
- Cash flow hedges	-	-	-	-	-	-	-	1	1	-	1
Operations with equity holders or owners	-	-	(1,069)	(27)	-	9	-	-	(1,087)	-	(1,087)
- Share-based collections	-	-	-	9	-	-	-	-	9	-	9
- Share-based payments	-	-	22	(35)	-	9	-	-	(5)	-	(5)
- Dividends	-	-	(1,090)	-	-	-	-	-	(1,090)	-	(1,090)
BALANCE AT 31 JANUARY 2021	94	20	14,703	221	240	(51)	(704)	(3)	14,520	30	14,550

Notes to the consolidated annual accounts of the Inditex Group

AS AT 31 JANUARY 2021

The consolidated annual accounts of the Inditex Group, which Parent is Industria de Diseño Textil, S.A., ("the Group", "the Group Inditex", "the Company" or "the Parent") for 2020 were prepared by the Board of Directors on 9 March 2021 and will be submitted for approval at the corresponding Annual General Meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2019 were approved by the shareholders at the Annual General Meeting held on 14 July 2020.

These annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations (IFRIC and SIC) adopted by the European Union (EU-IFRSs) and with the other provisions of the applicable regulatory financial reporting framework.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2020 will hereinafter be referred to as "2019", the twelve-month period ended 31 January 2021 as "2020", and so on.

The consolidated annual accounts are presented in euros, since the euro is the Group's functional currency.

Unless otherwise stated, the amounts shown in these consolidated annual accounts are expressed in millions of euros.

The separate annual accounts of the Parent (Inditex) for 2020 were prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the equity and financial position of the Inditex Group at 31 January 2021, as well as the results of its operations, the changes in equity and the cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2020 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

The Group uses certain performance measures additional to those defined in IFRS, since these measures include information that is essential to assess the evolution of the Group.

In the consolidated income statement, gross profit, EBITDA, EBIT and PBT are defined as follows:

- Gross profit: the difference between sales and the cost of sales. Note 3 and Note 4 contain detailed information on the items included in these line items in the consolidated income statement. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.
- Gross operating profit (EBITDA): earnings before interest, the result of companies accounted for using the equity method, taxes and depreciation and amortisation, calculated as the gross profit less operating expenses and other losses and income, net.
- Net operating profit (EBIT): earnings before interest, the result of companies accounted for using the equity method and taxes, calculated as EBITDA less depreciation and amortisation.
- Profit before taxes (PBT): calculated as EBIT less Financial results and Result of companies accounted for using the equity method.

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as PBT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year). The average capital employed considered for the ROCE calculation by concept relates to the non-current assets, excluding the deferred tax assets, of the concept.
- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.
- Working capital: defined as Inventories plus Receivables minus Current Payables in the Balance Sheet.
- Net financial position: defined as Cash and Equivalents and Current financial investments less current and non-current financial debt, with explicit interest (without considering lease debt).
- Average net Financial debt: defined as Current and non-Current Financial Debt with explicit interest (without considering lease debt), less Cash and Cash equivalents and Current financial investments (considered zero if the result is negative).

- Store operating profit: income generated by sales, both in stores and online, as well as all expenses directly attributable and necessary to generate said income.
- Quarterly results: calculated as the difference between the year-to-date profit (loss) statement at the reporting date less the statement of income of the previous quarterly cut-off.

These annual financial statements have been prepared on a going concern basis, in the absence of doubts as to the Group's ability to continue its operations. The assessment that there are no material uncertainties affecting the Group's capacity to continue with its operations was based on the following information:

- The Group obtained positive results in 2020 overall and in all of its operating segments (Note 10).
- Performance forecasts for spring/summer 2021.
- The capacity to adapt the supply chain to changing conditions.
- The flexibility of the model based on sales channel integration.
- The capacity to manage the financial risks to which the Group is exposed (see Note 25 Risks and Uncertainties, relating to the impact of the pandemic on the Inditex Group's identified risks).
- The positive net financial position and the existence of sufficient undrawn financing facilities to fund the Group's activities.

Impacts of covid-19

The covid-19 pandemic and the measures to combat it adopted by the various governments of countries in which the Group conducts its activity have had a significant effect on the Group's activity and results in 2020. Store closures and/or reduced opening hours, limitations on capacity and restrictions on movements have led to a decrease in the Group's earnings and profitability, which was partially offset by the sizeable increase in *e-commerce*. Likewise, the pandemic also took its toll on supply markets and, as a result, the supply chain, due to temporary factory closures, delayed deliveries, etc. The Group has implemented measures aimed at mitigating the impact by harnessing the inherent flexibility of its supply model based on proximity supplies and on a unique inventory position.

In the first quarter of the year, as many as 90% of the stores were closed. Stores were subsequently reopened, depending on the markets, until practically 100% of stores were open at the end of the third quarter. However, in the last two months of the year, restrictions on store openings were again imposed in certain markets that are important for the Group. Against this backdrop, the technological infrastructure and the digitalisation initiatives on which the Group's unified strategy is based have made it possible to continue operating with some degree of normality and efficiency, guaranteeing online sales, the efficient management of the unified inventory and addressing key requirements safely and securely.

From a financial standpoint, the pandemic has led to greater volatility in some of the currencies to which the Group is exposed; however, its negative impact cannot be considered to be exceptional. Although the pandemic has resulted in a general credit crunch in the markets, especially at the beginning, the potential loss expected did not evolve significantly (see Note 25). In order to minimise the impact due to the slowdown in activity resulting from the pandemic, the Group has implemented measures intended to conserve the Group's liquidity, through close control of all lines of expenditure, including the cost of occupation, and the delay in paying the extraordinary dividend. Furthermore, additional credit facilities have been arranged, which in a very significant proportion are committed (see Note 20).

Although the covid-19 pandemic has had a material impact on most of the markets where the Group operates as a result of the measures of confinement and restrictions to movement, the flexibility of the business model has been a key aspect in operational and financial performance of the period.

The main judgements and estimates used to measure certain items of the financial statements were updated to take into account the impact of the pandemic. Moreover, the specific impacts associated with the pandemic were recognised in the income statement of the year, as part of operating profit and loss:

- Rent concessions obtained from lessors were booked as negative variable lease payments (see Note 2.2.o).
- Costs linked to the increase in Group store and workplace health and safety measures form a part of operating expenses in accordance with their nature.
- Donations: Since the beginning of the crisis, the Group has made all of its logistic and operational capacities available in an attempt to mitigate the health crisis as much as possible. Likewise, Inditex has donated EUR 25 million in different types of material and has transported over 150 million items of health protection.

- Sub-activity costs at distribution centres were excluded from inventory valuations.
- Payments received in various countries from social security systems or other government departments in order to maintain employment and safeguard economic activity were booked reducing the amount of the expense they are aimed at offsetting.

Although the year's profit has been significantly affected by the pandemic, the Group's long-term business plan remains in effect as the pandemic is considered to be a temporary situation that does not alter its long-term expectations. Accordingly, during the year, the Group has continued to implement the unified model of store and online sales based on three key strategic lines: digitalisation, integration of physical store and digital world, and sustainability.

Section E of the Annual Corporate Governance Report includes a more detailed analysis of the pandemic's impacts on the various risks identified within the Inditex Group.

Material estimates and measurement of uncertainty

In preparing the consolidated annual accounts as at estimates were made in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Below are the estimates and assumptions most exposed to uncertainty:

- The assessment of possible impairment losses on certain non-current, non-financial assets. In determining the recoverable value of non-current assets (in accordance with the methodology described in note 2.2.f), estimates are made of the cash flows at cash-generating units for which purpose assumptions are made such as estimated sales growth at comparable stores, the performance of operating expenses and the gross margin of each of the CGUs. These estimates are based on the Group's prior experience and on macroeconomic indicators. Accordingly, these estimates are affected by uncertainty to the extent that they depend on the future performance of each cash-generating unit and on the possibility of there being events outside the Group's control in relation to the covid-19 pandemic (such as mandatory temporary closures of physical stores for health reasons) or a general decline in the economic environment that worsens revenue forecasts.
- The determination of inventory costs and its net realizable value. In establishing the recoverable value of inventories (in accordance with the methodology described in note 2.2.h), estimates of net realisable value are used, based on assumptions linked primarily to the success of the collections, which determines sales

performance, stock rotation, the volume of discounted units and the percentage discount. These estimates are affected by uncertainty to the extent that they depend on future events associated with the collections' commercial success.

- The judgements related to determination of the lease term, as well as the estimation of the discount rates applied in the measurement of the liability under IFRS 16.
- Assessment of counterparty credit risk of financial institutions in which the Group holds Cash and cash equivalents and Current financial investments.

The remaining estimates, judgements and assumptions considered in preparing these consolidated annual financial statements are as follows:

- The consideration of the online business in the model of the non-current assets impairment test.
- The useful life of property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets, mainly financial instruments.
- The assumptions used in the actuarial calculation of liabilities for pensions and other obligations with employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- The estimated recovery of deferred tax assets on the basis of the existences of future taxable profits.
- The specific stores that will be affected by the store optimisation plan and the specific time of their closure.

These estimates were made using the best information available at the time of preparation of this consolidated annual accounts. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

In preparing these consolidated annual accounts the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

The basis of consolidation and accounting policies applied are disclosed in Note 2.

1. Activity and description of the Group

Industria de Diseño Textil, S.A. with registered office in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a global group of companies present in 5 continents, in both hemispheres, north and south.

Inditex is listed on all the four Spanish stock exchanges.

Its main activity consists of offering latest fashion trends (apparel, footwear, accessories and home textiles) with high quality and sustainability standards, at attractive prices and inspired in customer requirements.

This activity is carried out through eight commercial brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each format operates through an online and store model that is managed in a direct and integrated way, managed directly by companies over which Inditex exercises control through the ownership of all or the majority of the share capital and of the voting rights, except in certain markets where, for several reasons, the business is carried out through franchises.

Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

The Group holds joint ownership interests in the entities making up the Tempe Group. Based on an analysis of the contractual arrangements giving it joint control, the Group classified its ownership interest in the Tempe Group as a joint venture. The interest in the Tempe Group was accounted for using the equity method.

The Group does not have any other significant non-controlling interests.

In order to offer the latest fashion trends at the right time, meeting high standards of sustainability and with the required quality, at Inditex we have developed an integrated and flexible business model that is clearly customer-oriented.

This model helps face business environment challenges. The strong competitiveness in the sector, driven by new technologies and an increasingly awareness of

environmental challenges, defines a context with a constantly evolving customer profile.

Furthermore, geopolitical, demographic and socioeconomic changes in supplier or distribution countries, or the retraction in consumption in certain markets, are, among others, factors which could affect the optimal achievement of our business targets. Business can also be affected by potential consequences of climate change, which could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others.

The internationalisation policy, the Group's multi-brand format, its sustainable production commitments and the support for total integration of channels and new technologies as alternatives for customer communication and sales, represent a means of risk diversification that mitigates our overall exposure to risks in the market.

The operation of this business model would not be feasible without the integration and flexibility of every stage of our value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

The sales and design teams are strongly focused on the customer and firmly committed to sustainability in the processes and materials used in our products. The permanent contact with stores and online teams by our team of designers, through the Product Management Department, helps them to learn about customer preferences. In addition, their active promotion and search for more sustainable materials and production processes help to raise standards of quality and to reduce the social and environmental impact of our activity.

Manufacturing and procurement is based on a socially responsible management of the supply chain which ensures dignified working conditions for all the employees of suppliers and manufacturers. Our supply chain has a global presence, organised via 12 clusters of suppliers that concentrate 97% of total production (12 clusters and 96% of production in 2019), albeit with a very significant weighting of procurement in areas of proximity to the design centres. Accordingly, we have the capacity to adapt our commercial range to any change of trend that emerges, so as to immediately adjust the number of garments to actual demand, a factor which has proved crucial in 2020.

The logistics and distribution system enables the Company to make continuous shipments to physical and online stores from the logistics centres of every commercial format throughout every season. This

system operates mainly with centralised logistics centres for every chain, where stocks are kept and which distribute the products to physical and online stores worldwide.

The people working in our Company make the sustained and sustainable development of this model possible: a diverse human team with 171 nationalities (172 nationalities in 2019), marked by its creative talent, its passion for fashion, teamwork, an enterprising spirit, permanent innovation and responsible effort.

The Group's goal is to provide fashion products that meet the most demanding sustainability and health and safety criteria, built on respect and promotion of Human Rights, transparency and continuous dialogue with stakeholders.

At 31 January 2021, the various Group concepts had stores in operation with the following geographical distribution:

NUMBER OF STORES			
	COMPANY MANAGED	FRANCHISES	TOTAL
Spain	1,371	40	1,411
Rest of Europe	3,088	151	3,239
Americas	646	177	823
Rest of the World	631	725	1,356
TOTAL	5,736	1,093	6,829

At 31 January 2020, the geographical distribution of stores was as follows:

NUMBER OF STORES			
	COMPANY MANAGED	FRANCHISES	TOTAL
Spain	1,538	42	1,580
Rest of Europe	3,248	154	3,402
Americas	680	182	862
Rest of the World	891	734	1,625
TOTAL	6,357	1,112	7,469

The majority of company-managed store premises are held under leases. Information on the main terms of the leases is provided in Note 15.

2. Selected accounting policies

2.1. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Parent has control and, therefore, the power to govern their financial and operating policies (see Note 1). Subsidiaries are consolidated by aggregating the total amount of their assets, liabilities, income, expenses and cash flows, after making the adjustments and eliminations relating to intra-Group transactions. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the effective acquisition date. A detail of the subsidiaries is provided in Annex I.

For business combinations any excess of the consideration transferred plus the value assigned to non-controlling interests over the net amounts of the assets acquired and the liabilities assumed is recognised as goodwill.

Any deficiency of the amount of the consideration transferred plus the value assigned to non-controlling interests below the identifiable net assets acquired is recognised in profit or loss.

Acquisitions of equity interests in businesses subsequent to obtaining control and partial disposals that do not result in a loss of control are recognised as transactions with shareholders in equity.

The non-controlling interests shown in the consolidated statement of changes in equity relate to non-controlling interests in subsidiaries, and they are presented in consolidated equity separately from the equity attributable to shareholders of the Parent.

The profit or loss and each component of other comprehensive income are allocated to the equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their relative interests, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

The share of non-controlling interests of the equity and profit or loss of the subsidiaries is presented under "Equity Attributable to Non-Controlling Interests" and "Net Profit Attributable to Non-Controlling Interests", respectively.

(ii) *Jointly controlled entities*

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual arrangement. As indicated in Note 1, on the basis of the analysis performed of the contractual arrangements, the Group classified these interests as joint ventures. Pursuant to IFRS 11, Joint Arrangements, these entities are accounted for using the equity method in the consolidated annual accounts.

(iii) *Harmonization of criteria*

Each of the companies included in the scope of consolidation prepares its annual accounts and other accounting records in accordance with the corresponding accounting standards, based on the legislation in force in the country of origin. Where these recognition and measurement criteria differ from those adopted by the Inditex Group in preparing its consolidated annual accounts, they are adjusted in order to present the consolidated annual accounts using uniform accounting policies.

(iv) *Intra-Group eliminations*

All intra-Group receivables, payables and transactions, and any intra-Group gains or losses not yet realised vis-à-vis third parties, are eliminated in the consolidation process.

(v) *Translation of annual accounts denominated in foreign currencies*

The annual accounts of companies with a functional currency other than the euro, except in the case of hyperinflationary countries, have been translated as follows:

- Assets and liabilities are translated to euros at the exchange rates prevailing at the balance sheet date.
- Items composing the equity of these companies are translated to euros at the historical exchange rates (or, for retained earnings, at the average exchange rates for the year in which they were generated).
- Income and expenses are translated to euros at the exchange rates prevailing at the dates on which they were recognised, while average exchange rates are used in those cases in which the application of this simplifying criterion does not generate significant differences.

The differences arising from the application of these exchange rates are included in consolidated equity under "Translation Differences".

However, exchange differences arising from trade balances payable and receivable and financing transactions between Group companies, with foreseeable settlement, are recognised in profit or loss for the year.

(vi) *Annual accounts in hyperinflationary economies*

Since 1 August 2018 Argentina has been considered a hyperinflationary economy. Consequently, the Group's financial statements of Argentine subsidiaries (see Annex I) have been integrated into the consolidated financial statements by making the hyperinflation adjustments provided for in IAS 29 in order to reflect changes in the overall purchasing power of the Argentine currency, that is, the financial statements that were at historical values have been restated to current values, applying the corresponding general price index and converted to the Group's functional currency, considering the closing exchange rate between the euro and the Argentine peso.

General price indexes of general acceptance in Argentina have been used to restate the financial statements at current values. Specifically, the Wholesale Price Index for the balances prior to 2017 (IPM) and the Consumer Price Index (CPI) for the balances from 2017 onwards have been used.

In relation to the conversion to functional currency, a closing exchange rate of 106.05 Argentine pesos per euro was applied.

These adjustments have been made retrospectively since 1 February 2018.

Hyperinflation adjustment has not been significant in the Net Income attributed to the parent.

Following the recommendation of the IFRIC regarding the classification of translation differences prior to the consideration of Argentina as an hyperinflationary economy, these are classified under the heading Translation differences in the Statement of changes in equity.

There are no other companies in the consolidation perimeter of the Group, with the exception of Argentina, which have been considered hyperinflationary economies.

(vii) *Companies with a reporting date that differs from that of the Group*

Companies with a reporting date that differs from that of the consolidated annual accounts were consolidated using the annual accounts at their respective reporting

dates (see Annex I). Temporary adjustments are made to reflect the effect of significant transactions occurring between the reporting date of these subsidiaries and that of the consolidated annual accounts.

(viii) *Changes in the scope of consolidation*

Annex I details all the companies in the consolidation perimeter. In 2020, the following companies were merged:

ACQUIRING COMPANY	ACQUIRED COMPANY
ITX Japan Corporation	BERSHKA JAPAN CORPORATION
	MASSIMO DUTTI JAPAN CORPORATION
	ZARA HOME JAPAN CORPORATION
	STRADIVARIUS JAPAN CORPORATION
ITX Croatia, LTD	BERSHKA CROATIA, LTD.
	STRADIVARIUS CROATIA, LTD.
	PULL & BEAR CROATIA, LTD.
	MASSIMO DUTTI CROATIA, LTD.
	ZARA HOME CROATIA, LTD.
	OYSHO CROATIA, LTD.
ITX Norge, AS	MASSIMO DUTTI NORGE, AS.
ITX Finland OY	MASSIMO DUTTI FINLAND OY
ZARA BH, DOO	STRADIVARIUS BH, D.O.O.
	BERSHKA BH, D.O.O.
	PULL & BEAR BH, D.O.O.
	MASSIMO DUTTI BH, D.O.O.
ITX Danmark, AS	MASSIMO DUTTI DANMARK, AS.
	ZARA HOME DANMARK A/S

2.2. Accounting policies

Standards effective for application in reporting periods beginning on or after 1 January 2020

During fiscal year 2020, the following standards and/or interpretations became effective for application in the European Union in the years beginning on 1 January 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which bring the concept of materiality in line with the definition given in the conceptual framework.
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Information for disclosure.

These amendments, which affect the requirements of hedging relationships, to the effect that the existing hedge accounting will not be affected by the Interest Rate Benchmark reform.

- Amendment to IFRS 3 Business Combinations, which includes clarifications to the definition of business.

The application of these amendments and/or interpretations did not have a material effect on the Group's consolidated annual accounts for 2020.

Furthermore, in October 2020, the European Parliament approved for use in the European Union the amendment to IFRS 16 - Leases. Accounting for rental concessions, applicable in 2020. This amendment allows lessees not to account for the concessions obtained in negotiating rental agreements related to the situation created by the covid-19 pandemic as an amendment to the contract, but as negative variable rental payments, until 30 June 2021 (see note 2.2.o and Note 15).

Standards and amendments issued and approved for application in the EU in reporting periods beginning on or after 1 January 2021

At the date of preparation of these consolidated annual financial statements, there are no standards approved for use in the European Union of mandatory application from 1 January 2021 that have any potential impact on the Group.

Standards issued and pending approval for use in the European Union

At the date of preparation of these consolidated annual accounts, the following standards and/or amendments to the standards with potential impact for the Group had been issued by the IASB but were pending approval for their use in the European Union.

- Amendments to IFRS 9 Financial Instruments IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments, IFRS 4 Insurance Contracts and IFRS 16 Leases: Information for disclosure. These amendments provide specific guidance on the recognition of financial assets and liabilities whose basis for determining contractual cash flows changes as a result of the Benchmark Interest Rate Reform. Mandatory in the years beginning on 1 January 2021.
- IFRS 17 - Insurance contracts. It replaces IFRS 4, setting out the principles of registration, valuation, presentation and disclosure of insurance contracts to enable the entity to provide relevant and reliable information that allows users of the information to determine the effect that the contracts have on Financial Statements. Initially

it was mandatory from 1 January 2021, although in 2020 the IASB deferred the mandatory application date to 1 January 2023, along with other amendments tackling implementation difficulties. In accordance with this amendment deferring IFRS 4 until that date, the IASB decided to extend the temporary period of mandatory application of IFRS 9 until 1 January 2023.

- Amendments to IFRS 3 Business combinations, updating the definitions of assets and liabilities in a business combination in line with the contents of the Conceptual Framework, adding new disclosure requirements in connection with the obligations set forth in IAS 37 Provisions, Contingent Liabilities and Contingent Assets in the framework of a business combination and explicitly prohibiting the recognition of contingent assets in a business combination. Mandatory in the years beginning on 1 January 2022, with the possibility of early adoption.
- Amendment to IAS 16 – Property, Plant and Equipment, prohibits a company from deducting from the acquisition cost of property, plant and equipment any amounts received while the company is preparing the asset for its intended use. Mandatory in the years beginning on 1 January 2022, with the possibility of early adoption.
- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent assets, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Mandatory in the years beginning on 1 January 2022, with the possibility of early adoption.
- Annual improvements to the 2018-2020 cycle: Establishing minor amendments to IFRS 1 first-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture. Mandatory in the years beginning on 1 January 2022.
- Amendment to IAS 1 Presentation of Financial Statements modifying and clarifying certain aspects of the classification of liabilities as current and non-current. Mandatory in the years beginning on 1 January 2023, with the possibility of early adoption.

Exposure drafts and other matters in relation to Accounting Standards

Exposure draft of a new standard 'General Presentation and Disclosures' in accordance with International Standards

In December 2019, the IASB published an Exposure draft of a new standard 'General Presentation and Disclosures' in accordance with International Standards

in order to improve the transparency and comparability of financial reporting under IFRS. The main aspects of this reform are mandatory inclusion of defined subtotals and categories in the income statement, determination guidelines for the presentation of the income statement by function or type, disclosure of unusual results in the notes and inclusion of certain mandatory disclosures in relation to alternative performance measures. Although this IASB initiative is still in the early exposure phase, if it is eventually approved for mandatory use, its application will imply substantial changes in the presentation of the consolidated income statement and in other information included in the Notes.

Costs necessary for the realisation of inventories

On 12 October 2020, the European Security Markets Authority (ESMA) issued a letter to the International Financial Reporting Interpretations Committee (IFRIC) highlighting the existence of two possible accounting interpretations in relation to costs which must be included as part of the costs necessary to make the sale in accordance with IAS 2 – Inventories.

Although on the date of authorising these annual financial statements IFRIC had not issued its conclusions on this matter, the Group is analysing the potential impact of applying the alternative interpretation outlined by the ESMA, which is not expected to be material.

The Group is analysing the impact of the new standards and amendments to existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date when their application is mandatory in the European Union.

a) Translation of foreign currency balances and transactions

Foreign currency transactions are translated by applying the exchange rates prevailing at the date of the transaction (except in the case of hyperinflationary countries). Monetary assets and liabilities denominated in foreign currencies are translated to euros at the end of the reporting period using the closing rate. Exchange differences arising on translating these items at those exchange rates are recognised in the income statement for the year as financial result.

In presenting the consolidated statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros by applying the exchange rates at the date of the cash flow. The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the

consolidated statement of cash flows under "Effect of Exchange Rate Changes on Cash and Cash Equivalents".

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost, including any additional costs incurred until the assets are ready for their intended use, less accumulated depreciation and any impairment losses or write-downs that have to be recognised (see Note 2.2.f).

Depreciation is taken on a straight-line basis over the estimated useful lives of the assets.

The estimated average useful lives are as follows:

ASSET DESCRIPTION	USEFUL LIFE (YEARS)
Buildings	25 TO 50
Fixtures, furniture and machinery	8 TO 20
Other property, plant and equipment	4 TO 13

The Group reviews useful lives of its property, plant and equipment at each financial year-end. Any change in the initially established estimates is accounted for as a change in an accounting estimate.

After initial recognition of an asset, only those costs that it is probable will give rise to future economic benefits and that can be measured reliably are capitalized.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss as they are incurred.

c) Other intangible assets

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group. It is amortised on a straight-line basis over a maximum period of ten years.

- Computer software: software is stated at cost and is amortised on a straight-line basis over a five-year period.

- Industrial designs: these items are reflected at their production cost, which includes the cost of samples,

staff costs and other directly or indirectly attributable costs, and are amortised on a straight-line basis over an estimated useful life of two years.

The Group reviews useful lives of its intangible assets at each reporting date. Any change in the initially established estimates would be accounted for as a change in an accounting estimate.

d) Financial investments

Investments in companies over which the Group does not exercise significant influence are stated at cost net of any impairment losses that have to be recognised.

e) Investment property

Investment property consists of assets held to generate rental income or for capital appreciation or both, and is stated at cost of acquisition less accumulated depreciation and any impairment losses that have to be recognised (see Note 2.2.f). Investment property is depreciated on a straight-line basis over the useful lives of the corresponding assets.

f) Impairment of non-current assets

The Group periodically assesses whether there are any indications that its non-current assets, including goodwill and intangible assets with indefinite useful life, might have become impaired, in order to determine whether their recoverable amount is lower than their carrying amount (impairment loss). In the case of goodwill and intangible assets with indefinite useful lives the impairment tests are performed at least once a year or more frequently if there are indications of impairment.

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances, principally an analysis of commercial premises that have passed the initial period of consolidation determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of a particular location, or other circumstances which indicate that

the value of an asset may not be recovered in full. This methodology is applied to all the stores, except for those which, because of their importance, are considered to generate flows at a higher aggregation level (retail concept-country), as is the case of flagship stores and corporate assets. Flagship stores are those whose characteristics (basically their being in premium locations) globally contribute to the overall set of the same brand's cash-generating units located in the country. For the impairment test, flagship stores are considered together with the other cash-generating units of a single concept and country.

Corporate assets essentially refer to the distribution centres, and the impairment tests are performed grouping together the cash generating units of each operating segment.

The operating profit is defined as total sales revenue less all the directly attributable expenses required to generate that revenue.

For those cash-generating units (CGUs) that are scheduled to be closed, an impairment loss is recognised using the same methodology.

In determining the assets with each CGU, the Group includes the net carrying amount of property, plant and equipment and intangible assets associated with that CGU, and the rights of use stemming from the lease agreements. Furthermore, since these are leases, by analogy in a case where a CGU is sold, said sale would be carried out together with the corresponding lease agreements and, therefore, with the payment obligations deriving therefrom. For the purposes of calculating impairment this implies considering and deducting the directly-related lease liabilities from the carrying amount of the CGU. Hence, in order to ensure consistency, lease payments are treated as cash outflows in calculating the cash flows associated with each CGU.

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset, and other factors that market participants would consider in pricing the future cash flows to be derived from the asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Based on the actual management of operations, the

Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated at retail concept-country level, or even at the level of all the companies located in a given country or all the companies corresponding to a given concept (concept level). Group assets which are not clearly assignable under this structure (for example industrial or logistics assets) are treated separately in a manner consistent with this general policy but considering their specific nature. In this case, the aforementioned indicator of impairment is applied at a higher aggregation level (retail concept-country, country or concept) and if it is necessary to calculate the impairment, all the cash flows generated at that aggregation level must be capable of ensuring the recovery of all the assets associated therewith.

The Group uses the budgets and business plans, which generally cover a period of three years, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are based are estimated sales growth in comparable stores and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Group operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market taking into account the Group's business model, online sales and the associated costs by concept/country are attributed proportionately to the cash-generating units of the concept/country.

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual income). Where the growth rates exceed the industry or country rates, the latter reflect Group's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for 30-year bonds issued by the governments in the relevant markets (or similar instruments, if no 30-year bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group. Implementation of IFRS 16 did not have an impact on the calculation of the discount rate.

The average discount rate, resulting from those applied by the Group in the various markets, used for the purpose of calculating the present value of the estimated cash flows was as follows:

	2020 AVERAGE	2019 AVERAGE
Spain	8.36%	5.10%
Rest of Europe	9.45%	6.06%
Americas	13.82%	9.95%
Asia and rest of the world	8.70%	6.93%

Although the Group's business and profits for the year 2020 have been affected by the pandemic, its long-term business plan remains in effect as the pandemic is considered to be a temporary situation that does not alter its long-term expectations.

In testing the impairment of fixed assets, the key assumptions on which the budgets and business plans are built have been updated with the most recent information available, which factors in the uncertainty generated by the covid-19 pandemic in relation to the temporary restrictions on sales in physical stores in certain countries, the demand for the products sold by the Group and other considerations affecting the estimated operating margin of each of the cash-generating units.

The results obtained from the 2020 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Notes 13, 14 and 15 to the consolidated annual accounts relating to property, plant and equipment, other intangible assets and right of use assets.

The related charge for the period amounting to EUR 172 million (EUR 34 million in 2019) (see Notes 7, 13, 14 and 15) is due primarily to the impairment corresponding to the closures scheduled and the impairment calculated based on the methods described previously.

Impairment losses reversed in the period amounting to EUR 14 million (EUR 26 million in 2019) (see Notes 7, 13, 14 and 15) correspond to those CGUs for which impairment had been recognised in prior years and for which, due to their earnings performance, the calculation for the year shows that the estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognised in prior years are fully or partially reversed.

The Group's management has drawn up various scenarios considering a range of possible values for each of the key assumptions used in determining the business plans. The most adverse scenario considers a one-year delay in achieving the strategic business objectives.

In the most likely scenario, which has been used in the impairment test, cash flows are expected to return to

pre-pandemic levels in 2022. In this analysis, the time horizon outlined above has been considered.

The sensitivity analysis evidences the existence of an additional asset impairment amounting to EUR 1 million (EUR 1 million in 2019).

Impairment of goodwill

Goodwill acquired through a business combination is allocated to the group of basic cash-generating units aggregated at concept-country level, for the purpose of performing the related impairment tests. This aggregation is made on the basis of:

- The degree of independence of the cash flows in each case.
- How the Group monitors the economic performance of its operations, and the model with which its operations are conducted.
- The degree to which the CGUs are subject to the same macroeconomic circumstances.
- The level with which the goodwill would be naturally associated on the basis of the business model.

In any case, this aggregation is never larger than an operating segment, as defined in IFRS 8.

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding period. The impairment tests for 2020 and 2019 did not give rise to the recognition of any impairment loss on goodwill.

In addition, the Group has performed a sensitivity analysis similar to the one described in the section on non-current fixed assets.

This sensitivity analysis does not imply any additional impairment either in 2020 or in 2019.

Reversals of impairment losses

Reversals of impairment losses on non-current assets are recognised with a credit to "Depreciation and Amortisation Charge" in the consolidated income statement, up to the limit of the carrying amount that the asset would have had, net of depreciation or amortisation, had the impairment loss never been recognised, solely in those cases in which, once the internal and external

factors have been assessed, it can be concluded that the indications of impairment that led to the recognition of the impairment losses have ceased to exist or have been partially reduced.

The reversal of an impairment loss for a CGU is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets and taking into account the limit for the reversal referred to in the preceding paragraph.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

g) Trade and other receivables

Receivables are initially recognised at fair value and subsequently at their amortized cost in accordance with the effective interest rate method, less the provision for losses through impairment.

A provision for impairment losses of trade receivables is established when the requirements set out in section I) Financial instruments are complied with. The amount of the provision is recognised in the income statement.

h) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

The cost of inventories comprises all costs of purchase and costs of conversion, as well as design, logistics and transport costs and any directly allocable costs incurred in bringing the inventories to their present location and condition.

The costs of conversion comprise the costs directly related to the units of production and a systematically calculated portion of indirect, variable and fixed costs incurred during the conversion process.

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labour and manufacturing expenses.

At each accounting close, the Group calculates the provision corresponding to the inventories that are estimated to be sold below their acquisition price. This provision is made for each campaign and for each commercial format.

Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.
- Goods in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion.
- Finished goods for sale: estimated selling price in the normal course of business. In this regard, the Group's goods are sold in stores and online. In addition, and to a very limited extent, goods not sold in the stores or online are sold via third parties.

The prices of goods vary throughout their commercial life, especially during sales season, when a portion of the various collections are sold at a discount.

Net realisable value is influenced by the performance of various commercial variables linked mainly to the success of the collections, which determines sales performance, stock turnover, the volume of discounted units and the percentage discount.

The Group's methodology for estimating the performance of these commercial variables is based on historical information, the actual performance of the current collection up to the date on which the aforementioned estimates are made and the forecasts for the end of the campaign, i.e. not only the performance of the different commercial variables of similar campaigns in previous years but also the actual data and forecasts of how the current campaign will develop in order to assess and consider the impacts associated with possible deviations from historical performance. This analysis is carried out for each concept to ensure maximum reliability of the estimates.

The Group has no significant direct and specific costs associated with the sale of the provisioned items. However, the Group does have indirect selling costs such as staff costs or store lease expenses, which, following an accounting treatment similar to IAS 36 (definition of "costs of disposal") and IFRS 5 (definition of "costs to sell"), the Group considers to be costs that should not be taken into account in the determination of the net realisable value provision.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, on initial investment. Investments which mature in less than three months from the acquisition date are also included.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the consolidated balance sheet as financial liabilities relating to bank borrowings.

j) Employee benefits

Obligations to Group personnel to be settled in the long term are estimated based on the dates on which they vest through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion vested at 31 January 2021.

The staff costs incurred in the year are determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met and the period that has elapsed since the commencement of the vesting period for each of the obligations.

The staff costs incurred in relation to the beneficiaries of the plans referred to in Note 26 to the consolidated annual accounts are recognised with a credit to liability and equity accounts in the period in which the costs are incurred.

k) Provisions and contingent liabilities

Provisions are recognised in the balance sheet when:

- the Group has a present obligation (legal or constructive) as result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are quantified on the basis of the best information available at the date of preparation of the annual accounts and are reviewed at the end of each reporting period.

If it is probable that an outflow of resources will no longer be required to settle the obligation, the provision is reversed. The provision is reversed against the consolidated income statement item where the corresponding expense was recognised.

There are no risks that might give rise to significant future contingencies affecting the Group that have not already been taken into account in these consolidated annual accounts.

On the other hand, contingent liabilities are possible obligations that arise as a result of past events, whose future materialization is conditioned by whether or not one or more future events beyond the control of the Group occur. Unlike provisions, contingent liabilities are not recognised in the consolidated balance sheet, but are disclosed in the accompanying Notes to the annual accounts, unless the possibility of an outflow in settlement is considered to be remote.

The Group guarantees the debts of certain companies in the Netherlands, pursuant to the provisions of Article 403.1, Book 2, Part 9 of the Civil Code of the Netherlands.

l) Financial instruments

Financial assets

The Group's financial assets are maintained within a business model that aims to collect the contractual cash flows of financial assets, which are exclusively the principal and interest. For this reason, all of the Group's financial assets are valued after the initial recording at amortized cost, with the exception of bonds and derivative financial instruments, which are valued at their fair value.

Financial assets recognised at amortized cost: The amortized cost is determined using the effective interest rate method, which is the discount rate that equals the value of all future expected cash flows of a financial asset during its remaining life, excluding losses for impairment, to the value of said financial asset at the time of initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is initially recognised, less the repaid principal amounts, plus interest recognised by the effective interest rate method, less any impairment loss.

The interest income derived from the application of the effective interest rate method is recognised as a financial result in the profit and loss account. However, given that most of the Group's financial assets valued at amortized cost correspond to accounts receivable from customers and temporary financial investments, with maturities in the short term, the impact on the consolidated profit and loss account for the year 2020 of the effective interest rate method is not relevant.

Financial assets measured at fair value: Derivative financial instruments, which are maintained within the exchange rate risk hedging policy, are valued at their fair value. On the other hand, securities (which for the most part correspond to the guarantees of compliance with lease contracts for premises) are valued at their fair value, which does not differ significantly from the value of the consideration given.

Impairment of financial assets

The Group recognizes a provision for impairment for financial assets recognised at amortized cost. This provision is updated at each closing date to reflect changes in the credit risk of each financial instrument since its initial recognition.

The Group's policy is to recognize the credit losses expected at 12 months, provided that:

- The credit risk is low at the time of initial recognition of the financial asset.
- The credit risk has not increased significantly since recognition date.

Otherwise, the Group would recognize the expected loss during the life of the financial asset. In such case, interest is calculated on the gross value of the financial asset. Additionally, if after the significant increase in credit risk, objective evidence of impairment of the financial asset is shown, interest is calculated considering the value of the financial asset, net of the recognised impairment. On the other hand, it is considered that a financial asset is unpaid when its expiration date has not been reimbursed.

To measure credit losses expected at 12 months on financial instruments other than trade receivables (see Note 25) a methodology is used based on probability of default (PD), loss given default (LGD) and exposure at default (EAD), using market information. This methodology enables expected credit losses from the counterparty to be measured at the time of the initial recognition of the financial assets and allows it to be determined whether, at each accounting close date, there has been a significant increase in the risk of these financial assets or if the counterparty has incurred in

default. This information is subject to periodic review by the Group's Management, which determines when there has been a significant increase in the counterparties' estimated credit losses. The estimated impairment loss is not significant, since almost all financial assets have a low risk.

In turn, for accounts receivable of commercial origin (see Note 11), the Group has a methodology analogous to the one described above (Note 25), although in this case the measurement of credit risk of the counterparties is based on factors that affect the ability of debtors to meet payment obligations, such as factors of the economic environment where they operate or the history of defaults of the counterparty with the Group.

Likewise, a commercial debtor is considered to have incurred non-payment when it has not met its obligations at maturity, in which case a provision is established based on seniority for the past due balances held with said debtor.

Derecognition of financial assets

Financial assets are derecognised from the consolidated balance sheet when the contractual rights to receive cash flows from the asset expire or when substantially all the risks and benefits associated with their property are transferred to another entity.

m) Derivatives and hedging operations

Financial instruments acquired by the Group to hedge forecast transactions in foreign currencies are initially recognised at fair value.

Foreign currency hedges relating to forecast transactions are treated as cash flow hedges, and therefore any gains or losses derived from measuring the hedging instrument at fair value which correspond to the effective portion of the hedge are recognised in equity. The ineffective portion is charged to finance costs or credited to finance income, as appropriate.

Amounts recognised in equity are taken to income when the forecast transaction takes place with a charge or credit to the statement of profit or loss account in which it was recognised. Also, gains or losses recognised in equity are reclassified to finance income or costs when the forecast transaction is no longer expected to occur. The fair value of the hedges is recognised, depending on whether it is positive or negative, under "Other Financial Assets" or "Other Financial Liabilities" in the accompanying consolidated balance sheet.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as hedging instruments and the hedging relationship is documented. Also, the Group verifies, both at inception and periodically over the term of the hedge, using "effectiveness tests", that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument. Also, the ineffective portion of the hedging instrument is recognised immediately in the consolidated income statement.

The fair value of the hedging instruments was calculated using valuation techniques based on the spot exchange rate and yield curves, according to the fair value hierarchy shown below:

Level 1

Fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Fair value is calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Unobservable inputs for the asset or liability.

The measurement methodology, based on the aforementioned hierarchy, is as follows:

Level 2 instruments

The Group assigns the assets and liabilities associated with its OTC derivative positions to this level and measures them using observable market inputs.

The Group does not have financial instruments included in the Level 1 or 3.

Accordingly, the fair value of the hedging instruments arranged by the Group is calculated as follows:

Foreign currency forwards

Fair value measurement:

Foreign currency forwards are basically measured by comparing the contract strike price (agreed delivery price) with the market forward rate for the maturity of the contract. Once the estimated future settlement of the contract has been obtained based on the aforementioned comparison (in euros), the settlement is discounted using the risk-free zero coupon yield curve (or the interbank yield curve). This risk free valuation is subsequently adjusted to include each party's credit risk, both the risk corresponding to the counterparty (Credit Value Adjustment ("CVA") or counterparty default risk) and own risk (Debit Value Adjustment ("DVA") or own default risk).

The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs. The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Cross-currency swaps

Fair value measurement:

- Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.

- The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).

- The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.

- The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Options purchased

Fair value measurement:

The determination of the fair value of the ("Plain Vanilla") options is based on a modified version of the Black-Scholes formula (Garman-Kohlhagen). Fair value is a function of the price of the underlying, the strike price, the time to maturity and the volatility of the underlying. The credit adjustment is carried out by direct discounting with credit spread method curves.

n) Revenue recognition

Proceeds from the sale of goods to final customers in physical stores or online are recognised when the customer makes the purchase. Revenue is recognised by the value of the consideration received. Sales returns, actual and anticipated, are considered part of the total price of each sale transaction. The amount of the provision for expected refunds at the closing of the 2020 fiscal year is not relevant in the accompanying consolidated income statement.

Sales of goods to franchises are recognised when control of the goods is transferred to the franchisees. On the other hand, income from royalties received from franchisees is recognised as the franchisee makes use of the rights obtained through the franchise agreement.

Rental income is recognised on a straight-line basis, over the term of the leases.

In the accompanying consolidated balance sheet no assets have been recorded by contract.

There are no significant contracts with financing components.

o) Leases

The Group actively manages a large number of lease contracts (more than 7,000 contracts).

The leases recognised in which the Group acts as the lessee relate mainly to the premises where the stores are located. It has also been determined that certain contracts for logistics services are leases based on the terms of said contracts which grant the Group exclusive access to the logistics facilities where these services are provided.

The contracts are very heterogeneous and the clauses agreed depend to a large extent on the market, the concept, the lessor, the specific location, whether they are in shopping centres or are street level stores, etc.; in short, they depend on each location and lessor, although the Group's policy is to always seek maximum flexibility (for example, through the absence of mandatory compliance periods and penalties, the longest possible extension options, variable payments that depend on the performance of the leased asset, etc.).

At the start date of each contract, the Group assesses whether a contract is or contains a lease. For those contracts that qualify as such, the Group recognises a liability for the present value of the lease payments known at the inception of the lease to be made over the term of the lease and an asset for the right to use the underlying asset over the lease term. Assets for rights of use are measured at cost (which includes initial direct costs incurred, any lease payments made before or at the inception of the lease less incentives received) less accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The rights of use are amortised on a straight-line basis over the term of the lease.

Lease incentives include amounts received from shopping centre developers or owners of commercial premises as consideration for entering into a lease contract. They mainly correspond to amounts for refurbishing the leased premises to ready them for their intended use (contributions to construction work).

In the case of leases with fixed rents or guaranteed minimum rents, the contributions to construction work diminish the right-of-use asset, whereas in the case of leases with variable rents (for which a right-of-use asset is not previously recognised), these contributions are recognised as a non-current liability under "Other non-current liabilities - Lease incentives" and the portion expected to be taken to income in the following year as a current liability under "Trade and other payables". These contributions linked to variable rental lease contracts are credited to income as a reduction in lease expenses under "Operating expenses" over the lease term.

The right to use the asset is presented under the "Rights of use" heading in the consolidated balance sheet.

The lease liability is initially measured at the present value of the known lease payments, except for those made before or at the commencement date of the contract. The present value of the lease liability is determined using an incremental interest rate by country, term and currency, based on the type of assets leased.

The lease payments included in the liabilities comprise:

- Fixed payments (including fixed payments in essence), less any incentive to lease receivables;
- Variable lease payments, which depend on an index or rate;
- Amounts the lessee expects to pay as residual value guarantees;
- The exercise price of a call option if the lessee is reasonably sure of exercising that option;
- Payments for penalties resulting from lease termination, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

Variable lease payments, which do not depend on an index or rate, are not included in the measurement of the lease liability and or of the right-of-use asset, and are recorded as an operating expense as they accrue.

The contingent payments, common expenses and other expenses related to the lease do not form part of the determination of the lease liability and of the right-of-use asset, and the same accounting criteria are used as under the previous standard concerning leases, IAS 17. Fixed-rent payments are replaced by the depreciation of the right of use and the interest recognised over the lease liability.

The lease liability is presented in two separate lines on the consolidated Balance sheet, "Long-term lease liability" for the liability to be settled over a period exceeding 12 months and "Short-term lease liability" for the portion to be settled in the next 12 months.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes the corresponding adjustment to the right of use) when:

- There is a change in the term of the lease or a significant change in facts and circumstances that results in a change in the assessment of the exercise of an extension option, in which case the lease liability is measured by discounting the revised payments at the revised discount rate.
- A change in future lease payments results from a change in an index or a change in the expected payables related to a residual value guarantee, in which case the lease liability is measured by discounting the changed payments at the discount rate before the change.
- A lease is amended and the amendment is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments at a revised discount rate.

The Group applies the exemption relating to leases whose underlying asset is considered to be of low value. For these contracts, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the contract.

The Group applies IAS 36 to determine whether the right to use the asset is impaired, following the procedures described in section f) "Impairment of non-current assets" of this note on accounting principles. In particular, the right of use arising under a lease agreement is deemed to be an asset of the cash-generating unit with which it is associated and the associated lease liability is deemed to be an asset of the cash-generating unit.

Application of IFRS 16 requires significant judgements regarding certain key estimates, such as determination of the lease term and the discount rate.

There is also considerable diversity in the terms agreed in the lease contracts, although the Group's policy is always to seek maximum flexibility with short or even non-existent mandatory periods and unilateral extension options for the Group that are as long as possible.

The mandatory term agreed in lease contracts averages less than 3 years. After these non-cancellable periods, the Group can terminate the contract simply by means of notice, generally of between 6 months and one year.

To determine the lease term there is an assessment of whether the lessee has reasonable certainty that they will exercise the lease extension option, or that they will not exercise the option to terminate the lease. The Group determines the lease term as the non-revocable period of the lease plus those unilateral options for extensions over which there is reasonable certainty of execution, and for which the following aspects are considered:

- The costs related to contract termination. There are generally no penalties for contract termination, other than the payment of fixed rents for non-cancellable periods, and there are no residual value guarantees.
- The importance of the leased asset for the Group's operations. The assets leased (individually) are not critical to the Group's operations, although there are certain key locations which contribute to the Group's image (flagship stores) or in which very significant investments have been made, where the degree of certainty regarding the execution of extension options or non-execution of cancellation options is higher.
- The conditions to be complied with in order to exercise or not exercise the options. Generally the required conditions are of an administrative nature, such as the deadline by which the intention to exercise the option needs to be notified, etc.
- The historical experience and the business plans approved by the Group's management, which generally cover a 3-year period. These business plans consider the Group's strategic lines in order to anticipate and adapt to the transformation process currently underway in the sector as a result of the development of online sales. The Group periodically reviews these business plans and incorporates, among others, initiatives relating to the stores it plans to absorb or refurbish.

As mentioned above, the Group has a wide variety of lease contracts and has performed a case-by-case analysis to determine the term of each contract. This analysis shows that the terms of leases varies widely, in a range of between 2 and 19 years. Stores earmarked for closure are not included in the above range and the term is adapted to the estimated date of closure.

The present value of the lease liability is determined using the implicit interest rate in the lease, and if this cannot be easily determined the lessee will use its incremental debt interest rate. Given the difficulty of determining the implicit interest rate of each lease, the Group uses its incremental borrowing rate by market, term and currency, based on the type of assets leased. The average weighted rate according to the lease of each contract by geographical area is as follows:

	2020	2019
Spain	0.63%	0.45%
Rest of Europe	0.94%	1.00%
Americas	3.53%	4.16%
Asia and rest of the world	2.86%	3.10%

As stated above, the Group performs very active management of its lease agreements, which leads to a high volume of additions, removals and contractual amendments. These amendments will add an additional variability factor to the Group's trading figures.

The Group has no relevant commitments as lessee in respect of uncommenced leases or residual value guarantees. The Group has no material lease commitments for which it does not yet have the underlying asset at its disposal for use. In general, the lease contracts do not contain any restrictions or covenants with lessors other than those generally governing this type of contract.

During the year, as a result of rental renegotiations linked to covid-19, the Group has applied to all rent concessions the practical expedient introduced by the amendment to IFRS 16 – Leases – concerning the accounting of rent concessions. The amount recognised in this connection in the consolidated income statement for the year 2020 was EUR 317 million.

p) Finance income and costs

Interest income and interest expenses are recognised on an accrual basis using the effective interest method on the pending balance. Dividend income is recognised when the right to receive payment is established.

q) Income tax

The income tax expense for the year comprises current tax and deferred tax. Current and deferred tax is recognised as income or as an expense and included in net profit or loss for the period, except to the extent that the tax arises from a transaction which is charged or credited, in the same or a different period, directly to equity, or from a business combination.

Current tax is the tax expected to be paid or recovered in the year, using tax rates in force at the consolidated balance sheet date, in respect of the current period, and any adjustment to tax payable or recoverable in respect of prior periods.

Deferred tax is calculated using the balance sheet liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are the amounts of income taxes payable in the future in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in the future due to the existence of deductible temporary differences, tax loss carryforwards or tax credit carryforwards.

The Group recognizes deferred tax assets and liabilities for temporary differences, except where they relate to the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affected neither gross accounting profit nor taxable profit (tax loss), or in the case of deferred tax liabilities, where the temporary differences relate to the initial recognition of goodwill. Deferred tax liabilities are also recognised for temporary differences associated with investments in subsidiaries, except to the extent that the Parent is able to control the timing of their reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that are in force at the balance sheet date, and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the corresponding unused tax losses or tax credits can be utilised. Deferred tax assets, whether recognised or not, are reviewed at each balance sheet date.

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised in the consolidated balance sheet under non-current assets and liabilities, irrespective of the expected date of realisation or settlement.

r) Current and non-current assets and liabilities

The Group classifies assets and liabilities as current and non-current items in the consolidated balance sheet. Assets and liabilities are classified as current when they are expected to be realized or settled within twelve months of the balance sheet date, and are otherwise classified as non-current.

Assets and liabilities are not offset, unless required or permitted by a standard or interpretation.

s) Treasury shares

Treasury shares acquired by the Group are presented separately at cost as a reduction of equity in the consolidated balance sheet, and no gains or losses are recorded as a result of transactions carried out with treasury shares.

Costs incurred in treasury share transactions are recorded as a reduction of equity, after consideration of any tax effect.

t) Grants

When relating to expenses in the year (such as the partial or total payment of salaries or social security contributions during the months of lockdown), grants are accounted for as a reduction in expense in the year under the heading which resulted in their recognition.

3. Net Sales

Sales in the consolidated income statement include amounts received from the sale of goods and income from rentals, royalties and other services rendered in the ordinary course of the Group's business, net of VAT and other sales taxes.

The detail of this line item in 2020 and 2019 is as follows:

	2020	2019
Net sales in company-managed stores and online	18,816	25,933
Net sales to franchisees	1,397	2,088
Other sales and services rendered	189	264
TOTAL	20.402	28.286

Group Management believes there are no differentiated income categories with respect to the manner in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors. This consideration is consistent with the breakdown of revenues by operating segments (Note 10).

In FY2020, online sales grew 70% to EUR 6,612 million, 32% of net sales.

4. Cost of sales

The detail of this line item in 2020 and 2019 is as follows:

	2020	2019
Raw materials and consumables	9,066	12,033
Change in inventories	204	202
Change in provisions	(257)	245
TOTAL	9,013	12,479

Raw materials and consumables include mainly amounts relating to the acquisition from or production by third parties of products held for sale or conversion, and other direct expenses related to the acquisition of goods (see Note 2.2.h).

5. Operating expenses

The detail of "Operating expenses" and of the changes therein is as follows:

	2020	2019
Personnel expenses	3,376	4,430
Operating leases (Note 15)	181	695
Other operating expenses	3,250	3,051
TOTAL	6,807	8,176

The detail of "Personnel costs" is as follows:

	2020	2019
Wages, salaries and similar	2,765	3,679
Social contributions	611	751
TOTAL	3,376	4,430

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2021 is as follows:

CATEGORIES:	GENDER		TOTAL
	W	M	
Manufacturing and logistics	4,207	5,405	9,612
Central services	6,637	4,207	10,844
Stores	98,479	25,181	123,660
TOTAL	109,323	34,793	144,116

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2020 is as follows:

CATEGORIES:	GENDER		TOTAL
	W	M	
Manufacturing and logistics	4,783	5,894	10,678
Central services	7,034	4,423	11,457
Stores	121,648	32,828	154,476
TOTAL	133,465	43,146	176,611

The detail of "Other Operating Expenses" is as follows:

OTHER OPERATING EXPENSES	2020	2019
Indirect Selling Expenses	1,918	1,553
Administrative Expenses	504	632
Maintenance, Repairs and Utilities	577	498
Other	250	368
TOTAL	3,250	3,051

"Indirect Selling Expenses" includes mainly expenses relating to store and online operations, commissions on credit, debit card payments and logistics. "Administrative Expenses" includes all kinds of professional services, "Maintenance, Repairs and Utilities" includes maintenance and utilities expenses and "Other" includes mainly travel, communications and other operating expenses.

6. Other losses and income, net

This heading includes extraordinary staff costs incurred in the year and the changes in the prices of the debts recognized as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognised as a liability and changes are recognised in profit or loss.

Following there is a description of the main cross put and call options on those investments:

a) Subsidiary domiciled in Mexico

The Group held a call option on 5% of the share capital of Zara México, S.A. de C.V. owned by a non-controlling shareholder. It exercised the option on 21 January 2021, when it became the owner of 100% of said share capital, and the strike price was EUR 5 million.

b) Subsidiary domiciled in South Korea

The Group holds a call option on 20% of the share capital of Zara Retail Korea, Ltd. This ownership interest is held by Lotte Shopping Co., Ltd., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

c) Subsidiary domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Proprietary), LTD, which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

7. Amortisation and depreciation

The detail of "Amortisation and depreciation Charge" is as follows:

	2020	2019
Amortisation and depreciation charge (Note 13, 14 and 15)	2,742	2,824
Variation in impairment losses (Note 13, 14 and 15)	158	8
Profit/(loss) on assets	145	5
Other	-	(11)
TOTAL	3,045	2,826

8. Financial results

The detail of "Financial Results" in the consolidated income statement for 2020 and 2019 is as follows:

	2020	2019
Finance income	6	31
Foreign exchange gains	36	16
Lease foreign exchange gains	-	1
TOTAL INCOME	42	48
Finance costs	(8)	(14)
Lease finance costs (Note 15)	(120)	(142)
Foreign exchange losses	(43)	(39)
Lease foreign exchange losses	(11)	(5)
TOTAL EXPENSES	(182)	(200)
TOTAL	(139)	(152)

Finance income and costs comprise mainly (excluding Lease finance costs) the interest accrued on the Group's financial assets and liabilities during the year (see Note 20). Net foreign exchange differences are due principally to fluctuations in the currencies with which the Group operates (see Nota 25) between the time when income, expenses and asset acquisitions or disposals are recognized and when the corresponding assets or liabilities are realized or settled or translated in accordance with the applicable accounting principles.

9. Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see Note 23), which totalled 3,114,856,963 in 2020 and 3,114,384,195 in 2019.

Diluted earnings per share are calculated based on the profit for the year attributable to the holders of equity instruments of the Company and the weighted average of the ordinary shares outstanding for the dilutive effects of the potential ordinary shares.

As of 31 January 2021, taking into consideration treasury shares that are subject to the long-term incentive plans (Note 23), the calculation of diluted earnings per share would result in an amount of EUR 0.355 per share (1.168 as of 31 January 2020).

10. Segment reporting

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular commercial concept to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group management are organised by commercial concept and geographical area.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are sales and profit before taxes by segment.

The segment liabilities, financial results and taxes are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and management of the Group.

Group Management believes there are no differentiated income categories with respect to the manner in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors.

The Inditex Group segment information is as follows:

2020

	ZARA / ZARA HOME	BERSHKA	OTHER	INTER-SEGMENT	TOTAL
Sales to third parties	14,234	1,773	4,503	(107)	20,402
Profit before taxes	965	112	316	7	1,401
Amortisation and depreciation	2,029	265	753	(2)	3,045
Segment total assets	21,370	1,266	3,782		26,418
ROCE	9%	11%	11%		10%
Number of stores	2,653	1,005	3,171		6,829

2019

	ZARA / ZARA HOME	BERSHKA	OTHER	INTER-SEGMENT	TOTAL
Sales to third parties	19,685	2,385	6,340	(124)	28,286
Profit before taxes	3,370	349	962	-	4,681
Amortisation and depreciation	1,873	258	688	7	2,826
Segment total assets	22,707	1,440	4,244		28,391
ROCE	30%	39%	36%		32%
Number of stores	2,866	1,107	3,496		7,469

For presentation purposes Inditex has grouped the reporting of Zara and Zara Home due to the existing synergies between both concepts. The goal is to leverage the operational and brand management of the combined store and online platform.

In addition, the commercial concepts other than Zara, Zara Home and Bershka have been grouped into a single reporting segment due to the similarities in the nature of the products sold and their management and monitoring model.

For the purpose of reconciliation with the interim condensed consolidated financial statements, the sales to third parties relate to "Net sales" in the consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment's Profit before taxes refers to "Profit before taxes" in the consolidated income statement. Income and expenses which might be considered to be corporate in nature or as belonging to all segments were allocated to each of the segments based on distribution criteria considered reasonable by Group Management. Inter-segment transactions are carried out on an arm's length basis.

Total segment assets relate to "Total Assets" in the consolidated balance sheet.

The ROCE and ROE are calculated as defined in the initial Note to these consolidated annual accounts.

Zara was the first concept created by the Inditex Group and its positioning is based on a fashion offering featuring a wide range of products. Zara Home sells fashionable household products.

Bershka targets the younger consumers and its aim is to offer the latest fashion at affordable prices.

Geographical reporting

In the presentation of information by geographical segment, revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of assets. Segment non-current assets do not include deferred tax assets neither Other Non-Current Assets.

	NET SALES		NON-CURRENT ASSETS	
	2020	2019	31/01/2021	31/01/2020
Spain	3,229	4,766	4,449	4,613
Rest of Europe	10,430	13,682	6,068	6,474
Americas	2,763	4,434	2,032	2,538
Asia and rest of the world	3,980	5,403	1,255	1,661
TOTAL	20,402	28,286	13,805	15,285

11. Trade and other receivables

The detail of this line item at 31 January 2021 and 2020 is as follows:

	31/01/2021	31/01/2020
Trade receivables	255	226
Receivables due to sales to franchisees	177	272
Public entities	199	179
Other current receivables	85	103
TOTAL	715	780

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried on through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 25.

Balances receivable from public authorities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping centre developers (see Note 15) and outstanding balances from sundry operations.

12. Inventories

The detail of this line item at 31 January 2021 and 2020 is as follows:

	31/01/2021	31/01/2020
Raw materials and consumables	146	104
Goods in process	34	36
Finished goods for sale	2,142	2,129
TOTAL	2,321	2,269

The Group takes out insurance policies to cover the possible risks of material damage to its inventories.

In 2019, the Group booked a provision in the amount of EUR 287 million to adjust the estimated net realisable value of inventories for the Spring/Summer campaign as of 31 January 2020 further to the covid-19 pandemic impact.

13. Property, plant and equipment

The detail of the items composing "Property, Plant and Equipment" in the accompanying consolidated balance sheet and of the changes therein is as follows:

	LAND AND BUILDINGS	FIXTURES, FURNITURE AND MACHINERY	OTHER PROPERTY, PLANT AND EQUIPMENT	WORK IN PROGRESS	TOTAL
Cost					
Balance at 01/02/2019	2,134	11,222	802	436	14,595
Acquisitions	22	781	258	113	1,174
Hyperinflation adjustments	2	10	1	-	12
Disposals	(18)	(494)	(194)	(1)	(706)
Transfers	148	176	8	(331)	1
Foreign exchange translation differences	21	78	4	1	104
BALANCE AT 31/01/2020	2,308	11,773	879	219	15,179
Balance at 01/02/2020	2,308	11,773	879	219	15,179
Acquisitions	27	416	129	118	690
Hyperinflation adjustments	1	7	-	-	8
Disposals (Note 7)	(23)	(737)	(139)	-	(899)
Transfers	4	74	9	(86)	2
Foreign exchange translation differences	(54)	(446)	(35)	(3)	(538)
BALANCE AT 31/01/2021	2,263	11,086	844	248	14,442
Depreciation					
Balance at 01/02/2019	418	5,371	379	-	6,168
Depreciation charge for the year	41	857	246	-	1,144
Hyperinflation adjustments	1	6	1	-	7
Disposals	(6)	(414)	(186)	-	(607)
Transfers	-	(1)	-	-	(1)
Foreign exchange translation differences	2	32	2	-	36
BALANCE AT 31/01/2020	456	5,851	442	-	6,749
Balance at 01/02/2020	456	5,851	442	-	6,749
Depreciation charge for the year (Note 7)	42	805	185	-	1,032
Hyperinflation adjustments	-	5	-	-	6
Disposals (Note 7)	(20)	(558)	(129)	-	(706)
Transfers	(1)	-	-	-	(1)
Foreign exchange translation differences	(8)	(217)	(20)	-	(245)
BALANCE AT 31/01/2021	470	5,887	478	-	6,835
Impairment losses (Note 2.2.f)					
Balance at 01/02/2019	1	83	3	-	87
Charge for the year	-	33	1	-	34
Amounts charged to profit or loss	-	(26)	(1)	-	(26)
Disposals	(1)	(15)	(5)	-	(21)
Foreign exchange translation differences	-	1	-	-	1
SALDO A 31/01/2020	-	76	(1)	-	75
Balance at 01/02/2020	-	76	(1)	-	75
Charge for the year (Note 7)	-	166	7	-	172
Amounts charged to profit or loss (Note 7)	-	(14)	-	-	(14)
Disposals (Note 7)	-	(22)	(3)	-	(24)
Transfers	-	1	-	-	-
Foreign exchange translation differences	-	(3)	-	-	(3)
BALANCE AT 31/01/2021	-	203	2	-	206
Carrying amount					
BALANCE AT 31/01/2020	1,852	5,845	438	219	8,355
BALANCE AT 31/01/2021	1,793	4,996	363	248	7,401

"Fixtures, Furniture and Machinery" includes mainly assets related to stores.

"Other Items of Property, Plant and Equipment" includes, inter alia, information technology equipment and motor vehicles.

Disposals comprise mainly assets related to the commercial premises at which the Group carries out its commercial activities.

Inditex has decided to absorb between 1,000 and 1,200 stores during 2020 and 2021. The plan includes 500-600 units each year. The streamlining plan is focussed on stores at the end of their useful life, especially those in the younger formats, whose sales can be recuperated in local shops and online. The impact of this initiative is 146 million euros and it has been included under the heading "Amortisation and depreciation" on the income statement for the year.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 1,942 million and EUR 1,911 million at 31 January 2021 and 31 January 2020, respectively.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.f).

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing, to the extent possible, the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enables the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programs to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

14. Other intangible assets

"Other Intangible Assets" includes basically amounts paid for the registration and use of Group brand names, industrial designs of items of clothing, footwear, accessories and household goods created during the year, and the cost of software applications.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.f).

The detail of the items comprised under this paragraph in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	RIGHTS OVER LEASED ASSETS	PATENTS AND SIMILAR INTANGIBLES	SOFTWARE	OTHER INTANGIBLE ASSETS	TOTAL
Cost					
Balance at 01/02/2019	938	32	349	208	1,528
Adjustment on initial application of IFRS 16	(938)	-	-	(12)	(950)
Acquisitions	-	2	140	93	235
Disposals	-	-	(12)	(82)	(94)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
BALANCE AT 31/01/2020	-	33	463	207	702
Balance at 01/02/2020	-	33	463	207	702
Acquisitions	-	2	134	81	217
Disposals (Note 7)	-	-	(19)	(90)	(109)
Foreign exchange translation differences	-	-	-	-	-
BALANCE AT 31/01/2021	-	35	578	197	810
Amortisation					
Balance at 01/02/2019	462	21	135	87	705
Adjustment on initial application of IFRS 16	(462)	-	-	-	(462)
Amortisation charge for the year	-	2	67	90	159
Disposals	-	-	(12)	(83)	(95)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
BALANCE AT 31/01/2020	-	22	175	95	292
Balance at 01/02/2020	-	22	175	95	292
Amortisation charge for the year (Note 7)	-	2	90	91	183
Disposals (Note 7)	-	-	(19)	(90)	(109)
Transfers	-	-	-	-	-
Foreign exchange translation differences	-	-	-	-	-
BALANCE AT 31/01/2021	-	24	246	96	366
Impairment losses (note 2.2.f)					
Balance at 01/02/2019	12	-	-	-	12
Adjustment on initial application of IFRS 16	(12)	-	-	-	(12)
BALANCE AT 31/01/2020	-	-	-	-	-
Balance at 01/02/2020	-	-	-	-	-
Impairment charge for the year (Note 7)	-	-	-	-	-
Amounts charge to profit or loss (Note 7)	-	-	-	-	-
Disposals (Note 7)	-	-	-	-	-
BALANCE AT 31/01/2021	-	-	-	-	-
Carrying amount					
BALANCE AT 31/01/2020	-	10	288	112	410
BALANCE AT 31/01/2021	-	10	332	102	444

The Group capitalized EUR 134 million in 2020 (EUR 140 million in 2019) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 81 million

(EUR 93 million in 2019) in respect of the development of industrial designs and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

15. Leases

15.1. Right of Use Assets

This heading records the measurement of the right to use the asset underlying the lease contracts during the term of the contract, for those contracts in which the Group is the lessee.

COST	
Balance at 01/02/2019	-
Adjustment on initial application of IFRS 16	5,849
Acquisitions	1,643
Disposals	(69)
Transfers	92
Foreign exchange translation differences	56
BALANCE AT 31/01/2020	7,571
Balance at 01/02/2020	7,571
Acquisitions	1,351
Disposals (Note 7)	(305)
Transfers	-
Foreign exchange translation differences	(267)
BALANCE AT 31/01/2021	8,350
AMORTISATION	
Balance at 01/02/2019	-
Amortisation charge for the year	1,521
Disposals	(26)
Transfers	25
Foreign exchange translation differences	8
BALANCE AT 31/01/2020	1,528
Balance at 01/02/2020	1,528
Amortisation charge for the year	1,532
Disposals	(105)
Transfers	-
Foreign exchange translation differences	(82)
BALANCE AT 31/01/2021	2,873
BALANCE AT 31/01/2020	6,043
BALANCE AT 31/01/2021	5,477

The Group leases commercial premises in which it carries out its business activity. New items for the year relate to additions (EUR 137 million) and amounts associated with revaluations and renegotiations of contracts modifying the term and/or future rents (EUR 1,214 million).

15.2. Lease liabilities

The breakdown of lease liabilities is as follows:

	2020	2019
Non-current	4,599	5,163
Current	1,552	1,649
TOTAL	6,152	6,812

The breakdown of maturity is as follows:

	BREAKDOWN OF MATURITY	
	2020	2019
Less than one year	1,552	1,649
One to five years	3,803	3,661
Over five years	797	1,502

15.3. Other information

Amounts recognized in the consolidated income statement:

	2020	2019
Amortisation Right of Use (Note 7)	1,532	1,521
Lease finance cost (Note 8)	120	142
Variable rent payments (Note 5)	294	495
Others * (Note 5)	(113)	200

(*) Including mainly Common Expenses, other lease services and the rent concessions obtained pursuant to application of the practical expedient introduced by the amendment to IFRS 16

Some of the Group's commercial premises leases contain conditions for the payment of variable rent that are linked to the sales generated in such stores, such that the payment for the lease is linked to the development of the store. Variable rent in these stores amounted to EUR 225 million (EUR 479 million in 2019). The expense for leases to which the low value exemption has been applied is not significant.

The amount of income from leasing and subleasing is not significant.

16. Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	2020	2019
Opening balance	207	206
Acquisitions	-	-
Foreign exchange translation differences	(6)	1
CLOSING BALANCE	201	207

INVESTEES	2020	2019
Stradivarius España, S.A.	53	53
Italco Moda Italiana, LDA.	51	51
Zara Polska, S.p. Zo.o.	34	34
Massimo Dutti Benelux, N.V.	20	20
BCN Diseños, S.A. de C.V.	11	11
Zara Eslovenia	9	9
Zao Zara CIS	10	10
Others	13	19
CLOSING BALANCE	201	207

The goodwill arising from the acquisition or termination of franchise contracts corresponds to the amount of the intangible assets that did not meet the requirements established in IFRS 3 for separate recognition. These requirements related essentially to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support the carrying amount of goodwill at year-end (see Note 2.2.f).

Also, sensitivity analyses were performed based on reasonably possible changes in the main variables used in asset measurement, and the recoverable amount is higher than the related carrying amount (see Note 2.2.f).

17. Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	LOANS AND OTHER CREDIT FACILITIES	INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	OTHERS	TOTAL
Balance at 01/02/2019	15	249	2	267
Acquisitions	-	61	-	61
Disposals	(9)	(60)	-	(70)
Transfers	(6)	-	-	(6)
Foreign exchange translation differences	-	(4)	-	(4)
BALANCE AT 31/01/2020	1	246	2	249
Balance at 01/02/2020	1	246	2	249
Acquisitions	-	33	-	33
Disposals	-	(12)	-	(12)
Transfers	-	(8)	-	(8)
Foreign exchange translation differences	-	(2)	-	(2)
BALANCE AT 31/01/2021	-	258	2	261

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see Note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

18. Other non-current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	GUARANTEES	OTHER	TOTAL
Balance at 01/02/2019	432	132	564
Adjustment on initial application of IFRS 16	-	(58)	(58)
Acquisitions	7	-	7
Disposals	(63)	-	(63)
Transfers	-	4	4
Foreign exchange translation differences	2	-	2
BALANCE AT 31/01/2020	378	78	456
Balance at 01/02/2020	378	78	456
Acquisitions	6	-	6
Disposals	(42)	-	(42)
Profit/(Loss) for the year	-	-	-
Transfers	(4)	(22)	(26)
Foreign exchange translation differences	(9)	(4)	(13)
BALANCE AT 31/01/2021	329	51	380

The guarantees and deposits relate mainly to security deposits paid to owners of leased commercial premises to ensure compliance with the conditions stipulated in the leases (see Note 15), and to amounts paid to secure compliance with contracts in force.

19. Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2021 and 2020 is as follows:

	31/01/2021	31/01/2020
Trade payables	3,436	3,985
Personnel	279	491
Public entities	485	516
Other current payables	459	451
TOTAL	4,659	5,443

The following table shows the information on the average period of payment to suppliers required by Law 15/2010, of 5 July:

	2020	2019
	DAYS	
Average period of payment to suppliers	38.57	36.31
Ratio of transactions settled	38.86	36.44
Ratio of transactions not yet settled	35.41	34.71
	AMOUNT	
Total payments made	3,158	3,421
Total payments outstanding	286	265

This information relates to suppliers and creditors of Group companies domiciled in Spain.

20. Net financial position

The detail of the Group's net financial position is as follows:

	31/01/2021	31/01/2020
Cash in hand and at banks	4,567	1,792
Short-term deposits	2,131	2,788
Fixed-income securities	700	200
TOTAL CASH AND CASH EQUIVALENTS	7,398	4,780
Current financial investments	176	3,319
Current financial debt	(11)	(32)
Non-current financial debt	(3)	(6)
NET FINANCIAL POSITION	7,560	8,060

"Cash on Hand and at Banks" includes cash on hand and in demand deposits at banks. "Short-Term Deposit" and "Fixed-Income Securities" include term deposits and units in money market investment funds that use unitholders' contributions to acquire fixed-income securities with maturities of less than three months that have a high credit rating, are highly liquid and convertible to known amounts of cash, and are subject to an insignificant risk of changes in value. All the balances under this line item are unrestricted as to their use and there are no guarantees or pledges attached to them.

"Current Financial Investments" on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with maturities ranging from three to twelve months, all of which have high credit ratings and are highly liquid.

The detail of the Group's bank borrowings and other financial operations is as follows:

	31/01/2021		
	CURRENT	NON-CURRENT	TOTAL
Loans	7	-	7
Other Financial operations	4	3	7
TOTAL	11	3	14

	31/01/2020		
	CURRENT	NON-CURRENT	TOTAL
Loans	26	-	26
Other Financial operations	6	6	13
TOTAL	32	6	39

At 31 January 2021, the Group had a limit of EUR 8,029million on its drawable financing facilities (EUR 6,464 million at 31 January 2020). These include supply chain finance support programs, credit and overdraft facilities. Of the total facilities, those committed amounted to EUR 3,603 million (EUR 1,634 million on 31 January 2020).

Interest on all the financial debt is negotiated by the Group on the respective financial markets and usually consists of a monetary market index plus a spread in line with the solvency of the Parent or the subsidiary that has arranged the debt.

Financial debt is denominated in the following currencies:

	31/01/2021	31/01/2020
Euro	7	16
Turkish lira	-	2
British pound	-	19
Indian rupee	2	2
Korean won	5	0
TOTAL	14	39

The maturity schedule of the Group's bank borrowings at 31 January 2021 and 2020 was as follows:

	31/01/2021	31/01/2020
Less than one year	11	32
Between one and five years	3	6
TOTAL	14	39

21. Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	PENSIONS AND SIMILAR OBLIGATIONS WITH PERSONNEL	LIABILITY	OTHER PROVISIONS	TOTAL
Balance at 01/02/2019	69	85	74	229
Provisions recorded during the year	10	15	-	26
Disposals	(2)	(12)	-	(14)
Transfers	(24)	1	-	(24)
Foreign exchange translation differences	-	(2)	2	-
BALANCE AT 31/01/2020	53	87	76	217
Balance at 01/02/2020	53	87	76	217
Provisions recorded during the year	11	57	13	82
Disposals	(3)	(32)	(3)	(38)
Transfers	-	-	-	-
Foreign exchange translation differences	(2)	(3)	(4)	(9)
BALANCE AT 31/01/2021	59	110	83	252

Provision for pensions and similar obligations to personnel

Certain Group companies have undertaken to settle specific obligations to personnel. The Group has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2021. The estimated average period of disbursement of the provisioned amounts is around 3 years.

Provision for liabilities

The amounts shown here correspond to present obligations due to legal claims or constructive obligations arising from past events which will probably result in an outflow of resources and can be reliably estimated. At the date of preparation of these consolidated annual accounts there were no legal proceedings the final outcome of which could significantly affect the Group's equity position.

In estimating the amounts provisioned at year-end, the Group used the following hypotheses and assumptions:

- Maximum amount of the contingency
- Foreseeable evolution and factors on which the contingency depends

The estimated average payment period for the amounts provisioned depends largely on the local legislation of each of the markets in which the Group operates. An analysis is performed each year of the portion that will foreseeably have to be paid the following year and the related amount is transferred to current payables.

The Directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognized to arise therefrom.

22. Other non-current liabilities

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	LEASE INCENTIVES	OTHER	TOTAL
Balance at 01/02/2019	983	89	1,072
Adjustment on initial application of IFRS 16	(746)	-	(746)
Acquisitions	103	-	103
Changes through profit or loss	-	25	25
Transfers	(52)	(25)	(78)
Foreign exchange translation differences	4	-	4
BALANCE AT 31/01/2020	291	89	380
Balance at 01/02/2020	291	89	380
Acquisitions	37	-	37
Changes through profit or loss	(19)	27	8
Disposals	-	-	-
Transfers	(105)	(18)	(123)
Foreign exchange translation differences	(23)	-	(23)
BALANCE AT 31/01/2021	182	98	280

Lease incentives correspond to incentives received from developers of shopping centres or owners of commercial premises under lease contracts with variable rental payments.

23. Equity

Share capital

At 31 January 2021 and 2020, the Parent's share capital amounted to EUR 94 million, and was divided into 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each. All the shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2021 and 2020 amounted to EUR 20 million, while retained earnings amounted to EUR 21,654 million and EUR 19,850 million, respectively. The Parent's legal reserve, amounting to EUR 19 million, was recognized in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31 January 2021 and 2020, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2021 include restricted reserves amounting to EUR 990 million (EUR 618 million at 31 January 2020) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

Inditex shares are listed on the four Spanish stock exchanges. The shares are represented by book entries. Moreover, pursuant to Article 497 of the Spanish Companies Act, Inditex has contracted Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) to provide the daily share ownership notification service. According to the Parent's register of Shareholders and also pursuant to public information registered at the Spanish National Securities Market Commission (CNMV), at 31 January 2021 and 31 January 2020, the members of the Board of Directors directly or indirectly owned 59.375% and 59.371% of the Company's share capital, respectively (Note 29). At 31 January 2021 and 2020, Pontegadea Inversiones, S.L. held 50.010% of the shares of Inditex.

Dividends

The dividends paid by the Parent in 2020 and 2019 amounted to EUR 1,090 million and EUR 2,741 million, respectively. These amounts correspond to payments of EUR 0.35 per share and EUR 0.88 per share, respectively.

The distribution proposed by the Board of Directors is shown in Note 28.

Treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016, approved a Long-Term Incentive Plan 2016-2020 (Note 26 of the consolidated financial statements for 2019) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this Plan. Likewise, the Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for these plans, rendering the previous authorization invalid.

At 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

Subsequently, in the first half of 2020, the second cycle (2017-2020) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of said second cycle of the Plan.

Aside from these share deliveries, there were no other operations involving treasury shares in 2020.

Consequently, at 31 January 2021, the Company owned a total of 1,726,305 treasury shares, representing 0.055% of the share capital.

Translation differences

Details and variations in translation differences are as follows:

CURRENCY	BALANCE AT 01/02/2020	RECLASSIFICATION	VARIATION	BALANCE AT 31/01/2021
Russian ruble	140	(8)	61	193
Argentine peso	130	-	18	148
Brazilian real	80	(12)	43	111
Mexican peso	34	(1)	56	88
Turkish lira	61	-	21	81
Japanese yen	(14)	-	11	(3)
Chinese Yuan Renminbi	(22)	3	5	(14)
US Dollar	(83)	(53)	116	(20)
Other	77	(19)	62	120
TOTAL	402	(91)	393	704

24. Income taxes

Companies included in the Consolidated Financial Statements pay the Corporate Income Tax individually, except for certain countries (like Spain, Portugal or Netherlands) where they pay taxes under the consolidated tax group regime.

In the case of Spain, the consolidated tax group includes Industria de Diseño Textil, S.A., as the Parent company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated tax groups. The subsidiaries composing the aforementioned Spanish tax group are as follows:

Bershka BSK España, S.A.	Oysho España, S.A.
Bershka Diseño, S.L.	Oysho Logística, S.A.
Bershka Logística, S.A.	Plataforma Cabanillas, S.A.
Born, S.A.	Plataforma Europa, S.A.
Choolet, S.A.	Plataforma Logística León, S.A.
Comditel, S.A.	Plataforma Logística Meco, S.A.
Confecciones Fíos, S.A.	Pull & Bear Diseño, S.L.
Confecciones Goa, S.A.	Pull & Bear España, S.A.
Denllo, S.A.	Pull & Bear Logística, S.A.
Fashion Logistics Forwarders, S.A.	Samlor, S.A.
Fashion Retail, S.A.	Stear, S.A.
Fibracolor, S.A.	Stradivarius Diseño, S.L.
Glencare, S.A.	Stradivarius España, S.A.
Goa-Invest, S.A.	Stradivarius Logística, S.A.
Grupo Massimo Dutti, S.A.	Tordera Logística, S.L.
Hampton, S.A.	Trisko, S.A.
Indipunt, S.L.	Uterque Diseño, S.L.
Inditex, S.A.	Uterque España, S.A.
Inditex Logística, S.A.	Uterque Logística, S.A.
Invercarpro, S.A.	Uterque, S.A.
Kiddy's Class España, S.A.	Zara Diseño, S.L.
Lefties España, S.A.	Zara España, S.A.
Lefties Logística, S.A.	Zara Home Diseño, S.L.
Massimo Dutti Diseño, S.L.	Zara Home España, S.A.
Massimo Dutti Logística, S.A.	Zara Home Logística, S.A.
Massimo Dutti, S.A.	Zara Logística, S.A.
Nikole, S.A.	Zara, S.A.
Nikole Diseño, S.L.	Zintura, S.A.
Oysho Diseño, S.L.	

The balance of the "Current Liability for Income Tax" heading in the consolidated balance sheet corresponds to the provision for Income Tax relating to the profits for the year 2020, net of withholdings and prepayments made in the period. The heading "Creditors" includes the liability corresponding to other applicable taxes.

The balance of "Current Asset for Income Tax" in the consolidated balance sheet corresponds, mainly, to amounts to be recovered from tax authorities for such concept. The balance of the "Accounts Receivable" heading in the accompanying consolidated balance sheet includes, among others, the amount by which the input VAT exceeded output VAT for the period.

The income tax expense includes both the part concerning expense for current tax and the corresponding expense for deferred tax. The current tax is the amount to be paid for the income tax related to the fiscal gain of the period and for other fiscal charges derived from compliance with the regulations that regulate the income tax. The deferred tax reflects the amounts of tax on the profits to be paid or recovered in future periods and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2020	2019
Current taxes	317	1,123
Deferred taxes	(20)	(89)

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognized in the consolidated income statement for 2020 and 2019 is as follows:

	2020	2019
Consolidated accounting profit for the year before taxes	1,401	4,681
Tax expense at tax rate in force in the country of the Parent	350	1,170
Net permanent differences	(6)	(141)
Effect of application of different tax rates	(65)	(94)
Adjustments to prior years' taxes	(21)	7
Tax withholdings and other adjustments	59	105
Adjustments to deferred tax assets and liabilities	-	4
Tax withholdings and tax benefits	(20)	(17)
INCOME TAX EXPENSE	297	1,034

The permanent differences correspond, mainly, to expenses not tax deductible and to tax revenues for the contribution of rights to use certain assets to a subsidiary.

The companies that make up the consolidated Group have benefited from the tax benefits provided for in the tax regulations in force in each country amounting to EUR 20 million at 31 January 2021 (EUR 17 million at 31 January 2020). These deductions and bonuses derive, fundamentally, from investments, the correction of double taxation and, to a lesser extent, bonuses.

Temporary differences correspond mainly to differences between the carrying amount of an asset or liability in the balance sheet and its tax base, the main difference relating to right-of-use as a result of application of IFRS 16. The consolidated balance sheet closed as of 31 January 2021 includes the assets and liabilities for deferred taxes existing at that date.

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet is as follows:

DEFERRED TAX ASSETS ARISING FROM:	2020	2019
Provisions	121	134
Non-current assets	197	167
IFRS 16	305	350
Valuation adjustments	106	102
Tax losses	122	56
Intra-Group transactions	130	229
Other	295	197
TOTAL	1,276	1,236

DEFERRED TAX LIABILITIES ARISING FROM:	2020	2019
Intra-Group transactions	132	135
IFRS16	103	46
Non-current assets	61	93
Valuation adjustments	4	5
Other	96	90
TOTAL	396	370

These balances were determined using the tax rates that, based on enacted tax laws, will be in force in the period when they are expected to reverse, and in some cases these tax rates may differ from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The changes in deferred tax assets and liabilities in 2020 and 2019 has been as follows:

DEFERRED TAX ASSETS ARISING FROM:	2020	2019
Opening balance	1,236	858
Charge/Credit to profit or loss	33	93
Charge/Credit to equity	(50)	227
Transfers	57	58
CLOSING BALANCE	1,276	1,236

DEFERRED TAX LIABILITIES ARISING FROM:	2020	2019
Opening balance	370	312
Charge/Credit to profit or loss	(11)	5
Charge/Credit to equity	(20)	(5)
Transfers	57	58
CLOSING BALANCE	396	370

As of 31 January 2021, the Group has tax losses subject to compensation with future benefits amounting to EUR 665 million (EUR 354 million at 31 January 2020). The aforementioned breakdown of Deferred tax assets includes those corresponding to tax loss carryforwards pending offsetting, with a balance of EUR 123 million at 31 January 2021 (EUR 56 million at 31 January 2020) that, for the most part, are not subject to a period of effective compensation. The Group, based on the methodology established to verify the existence of signs of impairment in its non-current assets (see Note 2.2.g), constructs the hypotheses to analyse the existence of sufficient fiscal gains in the future that allow offset such tax losses before they prescribe. Additionally, the reversal in the same entity of deferred tax liabilities related to the same tax authority that may give rise to taxable amounts in sufficient quantity to apply the unused tax losses against them is taken into account.

In addition, some companies that make up the consolidated group have reserves that could be subject to taxation should they be distributed. These consolidated financial statements include the tax effect associated with such distribution insofar as it is likely to occur in the foreseeable future. Temporary differences, associated with investments in subsidiaries, associates and permanent establishments, which have not been registered for the exception provided for in IAS 12, amount to EUR 242 million.

On the other hand, in accordance with the tax legislation applicable to the parent company of the Group, the dividends proposed or declared to the shareholders of said company, before the financial statements have been formulated and that have not been recognized as liabilities, do not generate consequences in the Income Tax of the parent company.

The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. Verification of the Spanish companies was completed in 2020. The findings of the inspection are reflected in these financial statements and their impact thereupon is not material. In addition, certain Group companies are being audited for tax purposes, including most notably those domiciled in South Korea, Germany and Russia. In any case, it is not expected that, as a consequence of the ongoing verification actions, as well as those that could be carried out in the future in relation to non-prescribed periods, liabilities will be revealed that significantly affect the equity situation or the Group's results.

25. Financial risk management policy and financial instruments

Financial risk management policy

The Group's activities are exposed to various financial risks: market risk (foreign currency risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the Euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian ruble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign

currency risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimisation of the Group's operations, including centralisation, in order to minimise the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers, mostly in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly foreign currency forwards, to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. The Group also uses non-derivative financial instruments as hedges (e.g., deposits held in currencies other than the euro), and these instruments are recognized under "Current Financial Asset".

The Group's head companies supply their subsidiaries with finished goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intra-Group transactions (denominated in currencies other than the euro), the Group occasionally uses financial derivatives such as purchased options, zero-premium option combinations and, occasionally, foreign currency forwards.

Certain Group subsidiaries are granted internal financing denominated in currencies other than the euro. In accordance with prevailing foreign currency risk management policies, derivatives are arranged, mainly forwards and cross currency swaps, to hedge the changes in fair value related to exchange rates.

As described in Note 2.2.m, the Group applies hedge accounting to mitigate the volatility that would arise in the consolidated income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Group meets the requirements described in Note 2.2.m on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Group applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Group verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In

2020, using hedge accounting, no significant amounts were recognized in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges. Approximately 66% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to the year-end, while the remaining 34% are expected to fall due between six months and one year. Also, the impact on the income statement will foreseeably occur in those periods. The derivatives hedging the cash flows from intra-Group transactions to supply finished goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

The fair value of the hedging instruments was calculated as described in Note 2.2.m.

The Group uses the Cash-Flow-at-Risk (CFaR) methodology in order to estimate the potential impact of exchange rate changes on consolidated profit before tax and, if applicable, determine the relevant mitigation strategies. CFaR is methodology widely used in risk management. It is an evolution of the Value-at-Risk (VaR) method focused on the possible loss related to future cash flows. Given a portfolio, exposed to one or more risks, the CFaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The CFaR measures risk in aggregate terms, considering the potential diversification benefit resulting from the correlations between the components of the portfolio of exposures.

The underlying portfolio used in the CFaR calculation is composed of future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency risk and that the possible adverse changes in exchange rates would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e., the portfolio used for the

calculation, differ from the actual flows. In addition, the Group uses the Value-at-Risk (VaR) method to manage foreign exchange risk in relation to the most relevant accounting items.

In accordance with the risk management framework, risk appetite and target risk are set and residual risk is quantified. In addition, limits are set and monitored to ensure that residual risk is within the risk appetite and is also compliant with target risk.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 362 million at 31 January 2021 (31 January 2020 EUR 274 million).

Credit risk

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales represent the vast majority of revenue. Collections are made primarily in cash or through credit card payments.

The Financial Risk Management Policy ensures the measurement, assessment, quantification and mitigation of the credit risk of investment products and the counterparty risk of financial institutions by establishing very detailed analysis criteria and Value-at-Risk (VaR) methodologies.

The VaR methodology implemented takes into account the counterparty's probability of default as estimated by the market, the time horizon of the investments, and the percentage of risk exposure that is not expected to be recovered in the event of default (loss given default). VaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The exposures used are up to one year. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous year. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous year.

In accordance with the risk management framework, risk appetite and target risk are set and residual risk is quantified. In addition, limits are set and monitored to ensure that residual risk is within the risk appetite and is also compliant with target risk.

Although, as a result of the market conditions unleashed by covid-19, credit risk increased during the year, management allowed for its mitigation, so the Group's residual risk remained stable.

It is estimated that the residual risk resulting from the Group's twelve-month cash investments could be up to EUR 58 million at 31 January 2021 (EUR 103 million at 31 January 2020).

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement.

Occasionally, where deemed necessary, the Group requests that additional security be provided in the form of pledged collateral.

In relation to accounts receivable of commercial origin, the Group estimates that at closing date there has not been a significant increase in credit risk since its recognition, which is why the expected loss at 12 months has been estimated, not being significant, and it has not been considered necessary to make valuation corrections with accounts receivable not due.

The main financial assets of the Group are shown in the "Financial instruments: other information" section below.

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Group has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 20).

Note 20 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

The Group's exposure to interest rate risk, which in no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Group's investment policy (Note 20) and the negative interest rate environment in the Euro zone, with the Euro as the main currency, there is a risk of negative returns on the Group's financial position (Note 8).

- Financial debt: given the amount of the Group's external financing (see Note 20), any change in interest rates at year-end would not significantly affect consolidated profits.

- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets) and goodwill with an indefinite useful life. (Note 2.2.f).

- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

The Group does not have any material financial assets or liabilities designated as at fair value through profit or loss. A potential change in fair value would not imply significant impact.

Country risk

The international presence of the Group's business activities exposes it to the country risk of multiple geographical regions, in both its supply and its sales and distribution activities. The Group adapts its administrative and business processes in order to minimise country risk and take advantage of the benefits of geographical diversification.

One of the most significant manifestations of country risk is foreign currency risk and the possibility of exposure to limits or controls on the free circulation of cash flows due to a lack of currency convertibility, in current or capital account terms, or to unexpected restrictions on the movement of capital. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum. Country risk is also considered when assessing the jurisdictions in which the Group's cash is located.

At 31 January 2021, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to access the assets and settle the liabilities of its subsidiaries.

At 31 January 2021, the Group was not operating in markets in which there was more than one exchange rate.

Brexit-related risk

In the wake of the referendum on 23 June 2016, on 1 February 2020 the United Kingdom ceased to be a member State of the European Union pursuant to the Withdrawal Agreement. The agreement provided for a transitional period until 31 December 2020 during

which EU law continued to apply to and in the United Kingdom. The European Union and the United Kingdom signed the Trade and Cooperation Agreement of 24 December 2020, regulating their relations now that the two territories constitute two separate markets, with distinct regulatory and legal spaces. Although the Trade and Cooperation Agreement goes beyond the terms of a standard free trade agreement and also sets out a very ambitious framework for governance and cooperation on economic, social and environmental issues, the United Kingdom becomes a third country. It is therefore inevitable that barriers to trade in goods and services and to cross-border mobility and exchanges in both directions will arise, affecting all stakeholders, citizens, public administrations and businesses.

Since the referendum, the Group has been working on an action plan to analyse, assess, design and implement the necessary mitigation measures to minimise the potential impact of Brexit on the Group's business in general and on the UK market in particular. Although the severe scenario of a no-deal Brexit, which was the maximum level of disruption envisaged, has not materialised, the current circumstances do introduce new operational and business requirements. These are common and familiar circumstances in many of the markets where the Group operates, but new to the UK market. The Group has taken the necessary steps to mitigate the impact of Brexit on its operational processes, particularly in relation to supply chain, distribution, and labour issues. The relevant administrative and accounting procedures have been adapted and configured to ensure compliance with the new regulations, including indirect taxation and customs duties. In addition, some supply, transport and distribution flows between the EU and UK have been redesigned.

Capital management

The Group's capital management objectives are to safeguard its ability to continue operating as a going concern, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in Note 29.

There were no significant changes to capital management in the year.

Financial instruments

At 31 January 2021 and 2020, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognized under "Other Financial Assets" or "Other Financial Liabilities" depending on the related balance.

The detail of "Other Financial Assets" and "Other Financial Liabilities" in the consolidated balance sheet is as follows:

OTHER FINANCIAL ASSETS	2020	2019
Fair value of the hedging instruments	2	14
TOTAL	2	14
OTHER FINANCIAL LIABILITIES	2020	2019
Fair value of the hedging instruments	14	15
Reciprocal call and put options (Note 6)	13	26
TOTAL	27	40

The detail of the fair value (measured as indicated in Note 2.2.m) of the hedging instruments for 2020 and 2019 is as follows:

2020

DESCRIPTION	LEVEL	FAIR VALUE 2020	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2019
OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	2	(11)	(1)	-	14
TOTAL DERIVATES		2	(11)	(1)	-	14
OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	14	6	-	3	5
Options	2	-	-	(6)	-	6
Cross Currency Swap	2	-	(4)	-	-	4
TOTAL DERIVATES		14	3	(6)	3	15

2019

DESCRIPTION	LEVEL	FAIR VALUE 2019	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2018
OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	14	(4)	(3)	1	20
TOTAL DERIVATES		14	(4)	(3)	1	20
OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	5	(4)	(11)	-	19
Options	2	6	-	-	6	-
Cross Currency Swap	2	4	(1)	-	-	5
TOTAL DERIVATES		15	(5)	(11)	6	24

There have been no transfers between the different levels. (See Note 2.2.m).

Financial instruments: other information

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, are the loans and receivables related to the Group's principal activity and the guarantees given in relation to the lease of commercial premises, which are shown under "Other Non-Current Assets". The main financial assets of the Group are as follows:

	2020	2019
Cash and cash equivalents (Note 20)	7,398	4,780
Current financial investments (Note 20)	176	3,319
Trade receivables (Note 11)	255	226
Receivable due to sales to franchises (Note 11)	177	272
Other current receivables (Note 11)	85	103
Guarantees (Note 18)	329	378
TOTAL	8,418	9,078

The main financial liabilities of the Group relate to accounts payable on commercial transactions.

In 2020 no significant impairment losses were recognized on financial assets.

26. Employee benefits

Obligations for benefit plans or defined contributions

The Group does not maintain obligations with its employees as a general rule for defined benefit plans or contributions. However, in certain countries, due to the legislation or regulation in force or local labour practice, the Group assumes certain commitments related to the payment of certain amounts for accidents, illness or retirement, among others, sometimes partially paid by the worker and risk is partially or totally externalized through hiring the corresponding insurance policies.

Likewise, in certain countries, the worker participates in a percentage of the profits generated by the Group companies. The liabilities related to these items are recorded in the "Provisions" and "Other long-term liabilities" heading in the consolidated balance sheet. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Long-term Incentive Compensation Plans

2019-2023 Long-Term Incentive Plan

The Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2019-2023 Plan"). Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2019-2023 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2019-2023 Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the 2019-2023 Plan runs from February 1, 2019 to January 31, 2022. The second cycle spans the period from 1 February 2020 to 31 January 2023.

The 2019-2023 Plan is linked to critical business targets and the creation of shareholder value. As a more significant innovation, the 2019-2023 Plan also links long-term variable remuneration to objectives related to sustainability and the environment, with this index having a maximum weight of 10% over the whole.

The 2019-2023 Plan does not expose the Company to any material risks.

The liability related to the 2019-2023 Plan in cash is shown registered in the "Provisions" item of the balance sheet, and its annual allocation is included in the "Operating expenses" item in the income statement. The impact of these obligations on the consolidated income statement and the balance sheet is not significant.

The amount relating to the equity-settled component of the 2019-2023 Plan is recognised under "Net Equity" in the balance sheet and the related period charge is reflected under "Operating Costs" in the income statement. The impact of these obligations on the consolidated income statement and the balance sheet is not significant.

To cater for this 2019-2023 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23). And this, without prejudice to the possibility that the Company may proceed at a later time, and by virtue of the authorisation granted by the General Shareholders' Meeting of 16 July 2019, to derivatively acquire a greater volume of treasury shares to cover said 2019-2023 Plan.

The incentive to be received will be calculated as provided for in the resolution ninth of the Annual General Shareholders' Meeting held on 16 July 2019.

27. Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent, Tempe, S.A., and its subsidiaries, the detail of which is shown in the following table. These companies engage mainly in the design, supply and distribution of footwear to Inditex Group companies, their main customer.

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CHAIN	LINE OF BUSINESS
Tempe, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico City México	Equity method	31-dec	Multi-concept	Dormant
Tempe Logística, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo Brazil	Equity method	31-dec	Multi-concept	Dormant
Tempe Diseño, S.L.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Design
Tempe Trading Asia Limited	50.00%	Hong Kong China	Equity method	31-jan	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai China	Equity method	31-dec	Multi-concept	Sale of footwear
Tempe Giyim, Ltd.	50.00%	Istanbul Turkey	Equity method	31-dec	Multi-concept	Sale of footwear

Set forth below is the financial information of the Tempe Group, obtained from its consolidated annual accounts prepared in accordance with IFRS, together with other relevant financial information:

	2020	2019
Fixed assets	257	249
Others	30	33
Non-current assets	286	282
Inventories	219	209
Trade and other receivables	304	319
Cash and cash equivalents	31	30
Current assets	554	558
Non-current liabilities	(28)	(27)
Trade and other payables	(273)	(304)
Others	(7)	(9)
Current liabilities	(279)	(313)
NET ASSETS	534	500
Revenues	997	1,399
Gross profit	257	348
Operating expenses	(161)	(201)
Amortization and depreciation	(25)	(23)
Net operating profit (EBIT)	71	124
Net profit	62	101

In 2020 the Group received dividends totalling EUR 12 million (EUR 60 million in 2019) from Tempe (see Note 17).

28. Proposed distribution of the profit of the Parent

The Directors' proposed appropriation of the Parent Company's profit in 2020 amounts to EUR 2,923

million, which is the maximum distributable amount, corresponding to an ordinary dividend of EUR 0.22 per share and a bonus dividend of EUR 0.48 (gross) per share for all shares in circulation, and an increase in voluntary reserves in the amount of EUR 492 million and in the capitalisation reserve in the amount of EUR 250 million.

Of the total of EUR 0.70 per share to be paid as a dividend, EUR 0.35 per share will be payable on 3 May 2021 as an ordinary interim dividend and bonus dividend, and EUR 0.35 per share on 2 November 2021 as a supplementary bonus dividend.

29. Remuneration of the Board of Directors and related party transactions

Remuneration of the Board of Directors

The remuneration earned by the Board of Directors and senior management of the Parent in 2020 is shown in the section on related party transactions.

Other information concerning the Board of Directors

At 31 January 2021, per the Parent's shareholder register, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly held the following ownership interests in the share capital of Inditex:

NAME OR COMPANY NAME OF DIRECTOR	% VOTING RIGHTS ATTRIBUTED TO THE SHARES		% VOTING RIGHTS THROUGH FINANCIAL INSTRUMENTS		% TOTAL VOTING RIGHTS	% VOTING RIGHTS THAT CAN BE SOLD THROUGH FINANCIAL INSTRUMENTS	
	DIRECT	INDIRECT	DIRECT	INDIRECT		DIRECT	INDIRECT
Mr Pablo Isla Álvarez de Tejera ⁽¹⁾	0.0640%	-	0.0090%	-	0.073%	-	-
Mr Amancio Ortega Gaona ⁽²⁾	-	59.2940%	-	-	59.294%	-	-
Mr Carlos Crespo González ⁽³⁾	0.0010%	-	0.0060%	-	0.007%	-	-
Mr José Arnau Sierra	0.0010%	-	-	-	0.001%	-	-
Pontegadea Inversiones, S.L. ⁽⁴⁾	50.0100%	-	-	-	50.01%	-	-
Bns Denise Patricia Kingsmill	-	-	-	-	-	-	-
Ms Anne Lange	-	-	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-
TOTAL					59.375%		

(1) In accordance with the first cycle of the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 161,361 shares. (i.e. 0.005%). In accordance with the second cycle of the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 120,172 shares (i.e. 0.004%).

(2) Through Pontegadea Inversiones, SL and Partler Participaciones, S.L. (Partler 2006, S.L. holds 100% of its stake)

(3) In accordance with the first cycle of the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 106,752 shares. (i.e. 0.003%). In accordance with the second cycle of the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 79,503 shares. (i.e. 0.003%)

(4) Represented by Ms Flora Pérez Marcote

Pursuant to the provisions of article 229 of the Spanish Companies Act, as amended by Law 31/2014, of 3 December, no director has communicated any situation that, directly and/or indirectly, through persons related to they could place them in a potential conflict of interest with the Parent Company.

Notwithstanding the foregoing, Mr Rodrigo Echenique Gordillo, Mr Emilio Saracho Rodriguez de Torres and Ms Pilar López Álvarez, hold positions on the Boards of Directors of Banco Santander, International Consolidated Airlines Group and Microsoft Ibérica, respectively, and perform their duties as Inditex directors as independent parties, without prejudice to the commercial relationships that Inditex has with these companies for years. In any case, the Board of Directors ensures, through the Audit and Compliance Committee that the transactions with directors and/or significant shareholders, or with respective related persons, are carried out under market conditions and respecting the principle of equal treatment to shareholders.

When the Board of Directors deliberated on the appointment, re-election, acknowledgment of resignation, making available a position, compensation or any other agreement referred to a director or to a person or company related to a director, the affected party was absent from the Company meeting during the deliberation and voting of the corresponding agreement.

Related party transactions

Related parties are the subsidiaries, jointly controlled entities (Note 27) and associates detailed in Annex I to the notes to the consolidated annual accounts, the significant or controlling shareholders, the members of the Board of Directors of Inditex and Senior Management of the Inditex Group, as well as their close family members, as defined in Article 2.3 of Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on information on related party transactions that issuers of securities listed on official secondary markets must disclose.

The transactions with related parties were performed on an arm's length basis.

Inditex Group companies

The transactions between Inditex and its subsidiaries, which form part of the normal course of business in terms of their purpose and terms and conditions, were eliminated in full on consolidation and, therefore, they are not disclosed in this Note.

The following tables detail the transactions and the outstanding balances between Inditex and its jointly controlled entities in the consolidated balance sheet:

Transactions:

COMPANY	2020	2019
Jointly controlled entities	(780)	(1,082)

Corresponding mainly to finished goods purchases.

Balances:

	31/01/2021	31/01/2020
Current financial investments	-	-
Trade and other receivables	16	14
Non-current financial investments	258	246
Trade and other payables	277	284
Current financial debt	-	1

The detail of the transactions with significant shareholders, the members of the Board of Directors and Senior Management is as follows:

Significant shareholders

In 2020 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler Participaciones S.L, Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

COMPANY NAME OF SIGNIFICANT SHAREHOLDER	NATURE OF RELATIONSHIP	TYPE OF OPERATION	AMOUNT
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(33)
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	3
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

In 2019 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

COMPANY NAME OF SIGNIFICANT SHAREHOLDER	NATURE OF RELATIONSHIP	TYPE OF OPERATION	AMOUNT
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(42)
Pontegadea Inversiones, Partler 2006, S.L. or related entities or persons	Contractual	Other income	7
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

Several Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

Members of the Board of Directors and Senior management

The amounts indicated in the following tables and paragraphs referring to remuneration and termination benefits are expressed in thousands of euros in both years

The following tables show the remuneration and termination benefits earned by the directors and Senior management of Inditex in 2020:

NAME OR SOCIAL NAME OF THE DIRECTOR	TYPE	REMUNERATION OF BOARD MEMBERS	REMUNERATION OF DEPUTY CHAIRMAN OF BOARD OF DIRECTORS	REMUNERATION FOR SERVING ON COMMITTEES AND OTHER BOARD OF DIRECTORS	REMUNERATION FOR CHAIRING COMMITTEES	FIXED REMUNERATION	VARIABLE REMUNERATION 2020	MULTIANNUAL VARIABLE REMUNERATION (CASH AND SHARES) 2020	TOTAL 2020
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	2,535	-	5,885
Mr José Arnau Sierra	Propietary	100	80	200	-	-	-	-	380
Mr Carlos Crespo González	Executive	100	-	-	-	1,500	1,170	-	2,770
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. ⁽¹⁾	Propietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	50	-	-	-	300
Ms Anne Lange	Independent	100	-	150	-	-	-	-	250
Ms Pilar López Álvarez	Independent	100	-	150	27	-	-	-	277
Mr Jose Luis Durán Schulz	Independent	100	-	150	23	-	-	-	273
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		1,100	80	1,100	200	4,750	3,705	-	10,935

(1) Represented by Ms Flora Pérez Marcote

An itemised breakdown of the remuneration of the members of the Board of Directors in 2019 is as follows:

NAME OR SOCIAL NAME OF THE DIRECTOR	TYPE	REMUNERATION OF BOARD MEMBERS	REMUNERATION OF DEPUTY CHAIRMAN OF BOARD OF DIRECTORS	REMUNERATION FOR SERVING ON COMMITTEES AND OTHER BOARD OF DIRECTORS	REMUNERATION FOR CHAIRING COMMITTEES	FIXED REMUNERATION	VARIABLE REMUNERATION 2019	MULTIANNUAL VARIABLE REMUNERATION (CASH AND SHARES) 2019	TOTAL 2019
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	1,447	1,486	6,283
Mr José Arnau Sierra	Propietary	100	80	150	-	-	-	-	330
Mr Carlos Crespo Gonzalez ⁽¹⁾	Executive	54	-	-	-	800	365	74	1,293
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. ⁽²⁾	Propietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	-	-	-	-	250
Ms Anne Lange ⁽³⁾	Independent	15	-	14	-	-	-	-	29
Ms Pilar López Álvarez	Independent	100	-	150	-	-	-	-	250
Mr José Luis Durán Schulz	Independent	100	-	150	50	-	-	-	300
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		969	80	914	150	4,050	1,812	1,560	9,535

(1) From 16 July 2019

(2) Represented by Ms Flora Pérez Marcote

(3) From 10 December 2019

The total remuneration and termination benefits earned by Senior Management of the Inditex Group in 2020 were as follows:

2020	SENIOR MANAGEMENT
Remuneration	27,796
Termination benefits	
TOTAL	27,796

The aforementioned remuneration for 2020 includes fixed remuneration and short-term variable remuneration accrued by Senior Management (as defined in section C.1.14. "Identify the members of senior management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favour during the year" of the Annual Corporate Governance Report for the 2020. Remuneration of Directors for 2020 includes fixed items of remuneration of Directors in their condition as such, as well as fixed salary and short-term variable remuneration of Executive Directors.

No long-term variable incentives were accrued in 2020.

The total remuneration and termination benefits earned by senior management of Inditex Group in 2019 were as follows:

2019	SENIOR MANAGEMENT
Remuneration	31,131
Termination benefits	
TOTAL	31,131

The aforementioned remuneration for 2019 includes fixed remuneration, short-term variable remuneration and long-term variable remuneration accrued by Senior Management (as defined in section C.1.14. "Identify the members of senior management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favour during the year" of the Annual Corporate Governance Report for the 2019). Remuneration of Directors for 2019 includes fixed items of remuneration of Directors in their condition as such, as well as fixed salary, short-term variable remuneration and long-term variable remuneration of Executive Directors.

With regard to the annual variable remuneration, taking into account the exceptional situation due to the global covid-19 pandemic, the Board of Directors resolved, following the proposal of the Remuneration Committee, that the annual variable remunerations of the Executive Chairman, the CEO and the Senior Management were halved.

As refers to the long-term variable remuneration includes the amount accrued for the second cycle (2017-2020) of the 2016-2020 Long-term Plan. The amount accrued in 2019 by the Executive Directors in terms of this incentive is EUR 1,561 thousand (EUR 1,487 thousand by the Executive Chairman and EUR 74 thousand by the CEO). In turn, the sum of EUR 7,558 thousand was accrued by Senior Management. This incentive materialised as follows:

- Executive Directors: (i) an incentive in cash in the gross amount of EUR 769 thousand for the Executive Chairman and EUR 46 thousand for the CEO; and, (ii) an incentive in shares materialised in 31,888 shares for the Executive Chairman, equivalent to the gross amount of EUR 718 thousand, and 1,259 shares for the CEO, equivalent to the gross amount of EUR 28 thousand.
- Senior Management: (i) an incentive in cash in the gross amount of EUR 4,702 thousand and, (ii) an incentive in shares materialised in 126,919 shares, equivalent to the gross amount of EUR 2,856 thousand.

The incentive in shares accrued by the Executive Directors and the Senior Management regarding the second cycle (2017-2020) of the 2016-2020 Plan, shown in Note 20, has been adjusted in accordance with the share price as at the date of delivery of the aforementioned shares.

During 2020 and in 2019 no contributions were made to the Pension Scheme Plan.

30. External auditors

In 2020 and 2019 the fees for financial audit and other services provided by the auditor of the Group's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

	2020	2019
Audit services	7.3	7.5
Other assurance services	0.7	0.6
TOTAL AUDIT AND SIMILAR SERVICES	8.0	8.1
Other services	0.1	0.1
TOTAL PROFESSIONAL SERVICES	8.1	8.2

Furthermore, audit fees for services provided by other auditors in 2020 amounted to EUR 0.1 million.

According to information received from the auditors, the fees received from the Inditex Group by the principal auditor and the other firms belonging to the international network (and their associated firms) did not exceed 0.0200% of their total revenue.

31. Environment

Inditex has developed a flexible and integrated business model, with a strong customer focus and a clear sustainable approach. In this regard, Inditex's environmental strategy is outlined in its Sustainability Policy, which replaces the previous Environmental Sustainability Policy, the modification of which was approved by the Board of Directors on 14 December 2020, merging the aforementioned Environmental Sustainability Policy and the Corporate Social Responsibility Policy into a single document. Among other aspects, the current Sustainability Policy sets out the Group's environmental commitments, which are applied transversally in all its business areas and throughout its entire supply chain.

At the year-end, Inditex has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and profits (losses).

The Group's Non-Financial Information Statement includes information on Inditex's commitment to the Environment through its Sustainability Policy.

32. Events after the reporting period

On the date of authorising these consolidated annual financial statements for issue, no matters had come to light that might change the content hereof or give rise to additional disclosures beyond those included herein.

33. Explanation added for translation to English

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see first page of the Notes). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Annex I – Composition of the Inditex Group

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-jan	-	Parent
Comditel, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Zara	Buyer
Zara Asia, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Retail sales
Choolet, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Fíos, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Goa, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Denllo, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Hampton, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Nikole, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Buyer
Samlor, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Stear, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Trisko, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Zintura, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Glencare, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Indipunt, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Zara España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Zara Argentina, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Retail sales
Zara Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara	Retail sales
Zara Chile, S.A.	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara	Retail sales
Zara USA, Inc.	100%	New York - USA	Full Consol.	31-jan	Zara	Retail sales
Zara France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara	Retail sales
Zara UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Zara	Retail sales
Zara Mexico, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara	Retail sales
Zara México, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Zara Portugal- Confeçoes, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
G.Zara Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara	Retail sales
Zara Brasil, LTDA.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara	Retail sales
Zara Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Retail sales
Zara Österreich Clothing, GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Zara	Retail sales
Inditex Danmark, AS.	100%	Copenhaguen - Denmark	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Sverige, AB.	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara	Retail sales
Inditex Norge, AS.	100%	Oslo - Norway	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Canada, Inc.	100%	Montreal - Canada	Full Consol.	31-jan	Zara	Retail sales
Zara Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara	Retail sales
Zara Luxembourg, S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara	Retail sales
Zara Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Retail sales
ITX Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Česká Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara	Retail sales
Zara Puerto Rico, Inc.	100%	San Juan - Puerto Rico	Full Consol.	31-jan	Zara	Retail sales
Za Clothing Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Zara	Retail sales
Zara Magyarorszag, KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara	Retail sales
Zara Holding, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara Monaco, SAM	100%	Monte Carlo - Monaco	Full Consol.	31-jan	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100%	Beijing - China	Full Consol.	31-dec	Zara	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Zara Macau, Ltd.	100%	Macao SAR	Full Consol.	31-dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Zara	Retail sales
JSC "Zara CIS"	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Zara Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Holding company
Zara Bucuresti, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara	Retail sales
Zara Ukraine LLC	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara	Retail sales
Zara Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Zara	Retail sales
ITX Taiwan B.V. Zara - Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara	Retail sales
ITX Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Retail Korea, Co Ltd.	80%	Seoul - South Korea	Full Consol.	31-jan	Zara	Retail sales
Zara Bulgaria Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara	Retail sales
Zara Immobiliare Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Zara Management, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Retail NZ Limited	100%	Auckland - New Zealand	Full Consol.	31-jan	Zara	Retail sales
KG ZARA Deutschland B.V. & Co.	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Retail sales
Zara Retail South Africa (Proprietary), LTD.	90%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
Group Zara Australia Pty. Ltd.	100%	Sydney - Australia	Full Consol.	31-jan	Zara	Retail sales
Limited Liability Company "ZARA BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara	Retail sales
Zara S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Zara	Retail sales
ITX Financien, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Taiwan, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Vittorio 11 Italia S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
ITX BH D.O.O.	100%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Multi-concept	Retail sales
Zara Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Zara	Retail sales
Nikole Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100%	Podgorica - Montenegro	Full Consol.	31-dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100%	Seoul - South Korea	Full Consol.	31-jan	Zara	Real estate
Inditex Trent Retail India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Zara	Retail sales
Kiddy's Class España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
ITX Finland, OY	100%	Helsinki - Finland	Full Consol.	31-jan	Multi-concept	Retail sales
Retail Group Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara	Retail sales
ITX Financien III, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Albania SHPK	100%	Tirana - Albania	Full Consol.	31-dec	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Oysho España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Retail sales
Oysho Portugal - Confecções, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Oysho	Retail sales
Oysho Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Oysho	Retail sales
Oysho Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Oysho	Retail sales
Oysho Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Oysho	Retail sales
Oysho CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Oysho	Retail sales
Oysho France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Oysho	Retail sales
Oysho Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Oysho	Retail sales
Oysho Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Design
Oysho Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Oysho	Retail sales
Oysho Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Oysho	Retail sales
Oysho Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Oysho	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Oysho Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Oysho	Retail sales
Oysho Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Oysho	Retail sales
Oysho Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Oysho	Retail sales
Oysho Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Oysho	Retail sales
Limited Liability Company "OYSHO BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Oysho	Retail sales
Oysho Suisse SÄRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih.Ve.Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti USA, INC.	100%	New York - USA	Full Consol.	31-jan	Massimo Dutti	Retail sales
LLC Massimo Dutti	100%	Moscow - Russia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Holding company
Massimo Dutti Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100%	Macao SAR	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, LLC	100%	Kiev - Ukraine	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Česká Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Design
Massimo Dutti Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Österreich Clothing, GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100%	Montreal - Canada	Full Consol.	31-jan	Massimo Dutti	Retail sales
Limited Liability Company "MASSIMO DUTTI BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Massimo Dutti	Retail sales
MD Benelux, SA	100%	Bruges - Belgium	Full Consol.	31-jan	Massimo Dutti	Retail sales
Italco Moda Italiana, SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Massimo Dutti	Retail sales
KG Massimo Dutti Deutschland, B.V. & CO.	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Magyarorzág KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Massimo Dutti	Retail sales
Master Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Duttil India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Massimo Dutti	Retail sales
Pull & Bear España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Pull & Bear	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Pull & Bear Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Magyarország Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100%	London - UK	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Design
Pull & Bear Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, Gmbh	100%	Vienna - Austria	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Pull & Bear	Retail sales
Limited Liability Company "PULL AND BEAR BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Pull & Bear	Retail sales
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
P&B Gmbh	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Suisse, SÁRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Pull & Bear	Retail sales
Uterqüe, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Buyer
Uterqüe España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Hellas	100%	Athens - Greece	Full Consol.	31-jan	Uterqüe	Retail sales
Gruputerqüe Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Giyim Limited	100%	Istanbul - Turkey	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Design
"ITX KOSOVO" L.L.C.	100%	Pristina	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Finance Asia, LTD	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Financial services
Inditex USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Holding company
Uterqüe Commercial & Trading (Shanghai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Polska SP. Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Kazakhstan LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Ukraine, LLC	100%	Kiev - Ukraine	Full Consol.	31-jan	Uterqüe	Retail sales
Bershka BSK España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Bershka	Retail sales
Bershka Mexico, S.A. de CV	100%	Mexico City - Mexico	Full Consol.	31-dec	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Bershka	Retail sales
Bershka Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Bershka	Retail sales
Bershka France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Bershka	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Bershka Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Bershka	Retail sales
Bershka Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Bershka	Retail sales
Bershka U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ceska Republica, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Bershka	Retail sales
Bershka Polska Sp Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Carpati, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Bershka	Retail sales
Bershka Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Bershka	Retail sales
Bershka Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Bershka	Retail sales
Bershka Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hong Kong Limited	100%	Hong Kong SAR	Full Consol.	31-jan	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100%	Beijing - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Bershka	Retail sales
Bershka Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Bershka	Retail sales
Bershka Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Design
BSKE, GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Holding company
Bershka Deutschland B.V. & CO. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Bershka	Retail sales
Best Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka USA INC	100%	New York - USA	Full Consol.	31-jan	Bershka	Retail sales
Limited Liability Company "BK GARMENTS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Bershka	Retail sales
Bershka S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Bershka	Retail sales
ITX Taiwan B.V. Bershka Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Bershka	Retail sales
Stradivarius España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Stradivarius	Retail sales
ITX RE DAC	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Česká Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Design
Stradivarius Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hong Kong, Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius UK LIMITED	100%	London - UK	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Stradivarius	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Stradivarius Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Stradivarius	Retail sales
Limited Liability Company "STRADIVARIUS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Stradivarius	Retail sales
ITX Trading, S.A.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Buyer
Zara Home España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Portugal, Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Retail sales
ZHE, Gmbh	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Commercial & Trading (Shanghai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Canada, Inc	100%	Montreal - Canada	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Macao SUL	100%	Macao SAR	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Sverige AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Suisse SÀRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Chile SPA	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100%	Sydney - Australia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home SRB DOO Beograd	100%	Belgrade - Serbia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Bulgaria EOOD	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-jan	Zara Home	Dormant
Limited Liability Company "ZARA HOME BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara Home	Retail sales
ITX Taiwan B.V. Zara Home Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Europa, S.A.	100%	Zaragoza - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística León, S.A.	100%	León - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística Meco, S.A.	100%	Madrid - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Logistics
Bershka Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Logistics
Oysho Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Logistics
Stradivarius Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Logistics
Zara Home Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Logistics

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Uterque Fashion RO S.R.L.	100%	Bucharest - Romania	Full Consol.	31-dec	Uterque	Retail sales
Lefties Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Inditex Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Logistics
Corporación de Servicios XXI, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Services
Goa-Invest, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Multi-concept	Construction
Zara Vastgoed, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Real estate
ITX Global Solutions LIMITED	100%	Hong Kong SAR	Full Consol.	31-jan	Multi-concept	Services
SNC Zara France Immobiliere	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Ferreol P03302	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed France P03301	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Nancy P03304	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
Robustae Confecciones, S.A	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
Lefties España, S.A,	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Real estate
Born, S.A.	100%	Palma de Mallorca - Spain	Full Consol.	31-jan	Zara	Real estate
LFT RUS Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Lelystad Platform, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Logistics
Robustae Mexico, S.A DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Inditex Cogeneración, A.I.E.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Combined heat and power plant
Inditex, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Holding II, B.V	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
FSF New York, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
FSF Soho, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
ITX USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Retail sales
Fashion Retail , S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Retail sales
ITXR Macedonia Doool Skopje	100%	Skopje - North Macedonia	Full Consol.	31-dec	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Retail sales
ITX TRYFIN B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX RUBFIN, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Services India Private Ltd	100%	Gurgaon - India	Full Consol.	31-mar	Multi-concept	Buyer
Inditex France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Multi-concept	Dormant
ITX Merken, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Services
Zara Home Österreich Clothing GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Zara Home	Retail sales
Massimo Dutti Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX LUXEMBOURG S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Vittorio 13 Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
CDC Trading (Shanghai) Co. LTD.	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
Oysho Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Oysho	Retail sales
Oysho Slovakia S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Oysho	Retail sales
Zara Home Retail South Africa (PTY) LTD.	100%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Construction



Consolidated directors' report

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Available at this Annual Report website: (https://www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf/3e0a339b-b98f-0f1c-ca53-3be643bb1ee9); and at the CNMV website: https://www.cnmv.es/AUDITA/2020/18378_en.pdf	



Consolidated directors' report

AT 31 JANUARY 2021

(Amounts expressed in millions of euros)

Situation of the entity

The information relating to the "Situation of the entity" is detailed in section "1.2. Sustainable Business Model" in the accompanying Annex IV that contains the "Statement of Non-financial Information" of the Inditex Group.

Organizational structure

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Shareholders' Meeting
- Board of Directors
- Executive Committee
- Audit and Compliance Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Compliance Supervisory Board and Office of the Chief Compliance Officer
- Committee of Ethics

Business performance and results

Key financial and non-financial indicators

A landmark year in Inditex's transformation into a fully integrated, digital and sustainable business model. Key features:

- Total integration of Stores and Online.
- 100% implementation of RFID & SINT (single inventory) in all concepts. The Inditex Open Platform (IOP) is 80% implemented. Rollout to be completed by the end of

FY2021. Construction of the new Zara online studios (67,000m²) now completed.

- Online sales in constant currencies increased 77%.
- SINT contributed €1.2bn to online sales.
- Gross new space in prime locations increased 2%. Store optimisation is in the final stages as planned (751 stores absorbed in 2020).
- Strong customer engagement. Online visits reached 5.3 billion, +50%. The Group has 200 million followers on social media. Active App's reached 132 million.
- Higher flexibility and lower inventory requirement to sales continues.
- Sustainability is a key part of Inditex's strategy. As per the Sustainability Roadmap Goals, Inditex has achieved all of the targets set for 2020. In particular, outperformance was seen in two main areas: *Join Life* and renewable energy. The Group has also set ambitious new targets for the year 2023.
- A more responsive, adaptable and agile company.
- Despite the disruption caused by the lockdowns and restrictions, the strength of the business model is reflected in the high sales productivity. Trading hours were down 25.5% versus 2019. Total store and online sales in constant currency were down 24.5% versus 2019.
- As at 31 January 2021, 30% of stores were in full lockdown (versus 8% on 31 October 2020) and 52% had restrictions.
- Inditex's dividend policy of 60% ordinary payout and bonus dividends remains in place. Inditex's Board of Directors will propose to the Annual General Meeting a dividend of €0.70 per share for FY2020. This will be composed of an ordinary dividend of €0.22 and a bonus dividend of €0.48 per share. This dividend will be made up of two equal payments to be made on 3 May 2021 and 2 November 2021.
- The remainder of the bonus dividend (30 cents per share) will be paid in calendar year 2022.

In FY2020 gross new space in prime locations increased 2% (-5% net). Total selling area at FYE reached 4,826,566 square metres:

	2020	2019	2020/2019
Zara (Zara and Zara Home)	3,209,510	3,345,519	(4)%
Pull&Bear	394,170	428,969	(8)%
Massimo Dutti	258,310	278,052	(7)%
Bershka	513,139	553,853	(7)%
Stradivarius	321,419	337,893	(5)%
Oysho	115,581	127,294	(9)%
Uterqüe	14,437	15,152	(5)%
TOTAL	4,826,566	5,086,732	(5)%

Inditex has been very active in store optimisation activities in 2020 (111 openings, 96 refurbishments which include 45 enlargements). Store optimisation is in the final stages as planned (751 stores absorbed already in 2020). At the end of FY2020 Inditex operated 6,829 stores. In FY2020 Inditex opened stores in 29 markets.

A list of the number of stores is included in the table below:

CONCEPT	31 JANUARY 2021	31 JANUARY 2020
Zara	2,025	2,142
Zara Kids	93	128
Zara Home	535	596
Pull&Bear	873	970
Massimo Dutti	677	754
Bershka	1,005	1,107
Stradivarius	936	1,006
Oysho	600	677
Uterqüe	85	89
TOTAL	6,829	7,469

Company-managed stores and franchised stores at the end 2020:

CONCEPT	COMPANY MANAGED	FRANCHISED	TOTAL
Zara	1,763	262	2,025
Zara Kids	93	-	93
Zara Home	454	81	535
Pull&Bear	715	158	873
Massimo Dutti	563	114	677
Bershka	828	177	1,005
Stradivarius	738	198	936
Oysho	512	88	600
Uterqüe	70	15	85
TOTAL	5,736	1,093	6,829

Sales in company-managed and franchised stores:

CONCEPT	COMPANY MANAGED	FRANCHISED
Zara (Zara and Zara Home)	88%	12%
Pull&Bear	82%	18%
Massimo Dutti	86%	14%
Bershka	83%	17%
Stradivarius	79%	21%
Oysho	86%	14%
Uterqüe	87%	13%
TOTAL	86%	14%

A list of the stores' locations by concepts and by market at FYE is included in Annex III.

Net sales by concept are shown in the table below:

	2020	2019
Zara (Zara and Zara Home)	14,129	19,564
Pull&Bear	1,425	1,970
Massimo Dutti	1,197	1,900
Bershka	1,772	2,384
Stradivarius	1,283	1,750
Oysho	522	604
Uterqüe	75	115
TOTAL	20,402	28,286

The Group operates a global store and online platform. Store & Online sales by geographical area are shown in the table below:

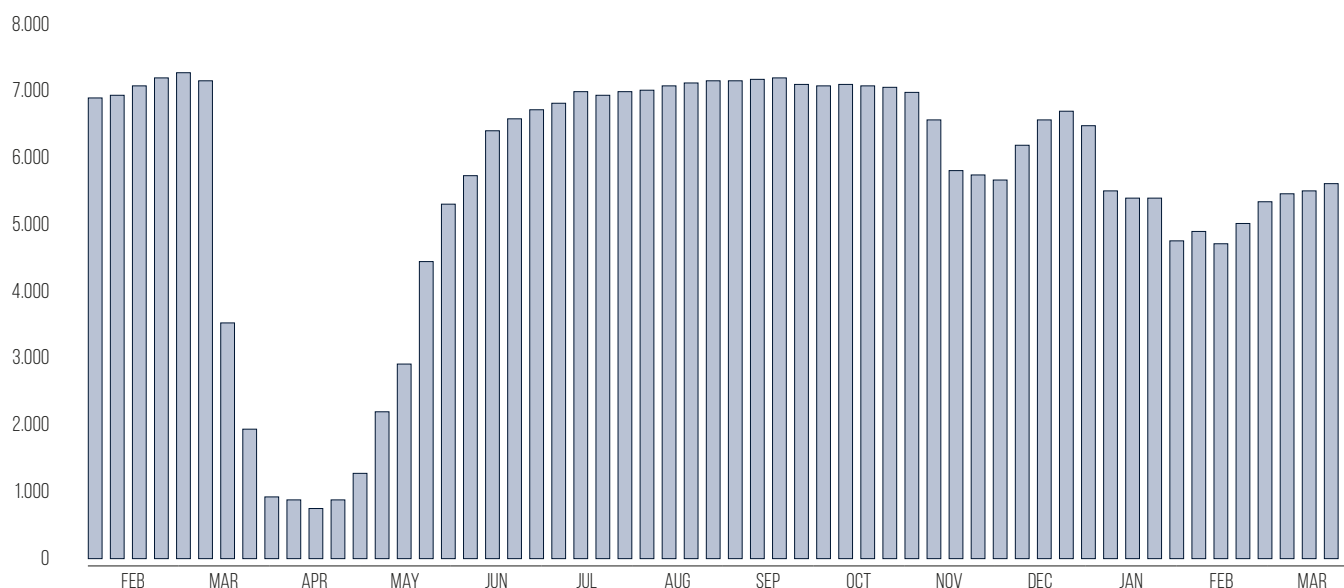
AREA	2020	2019
Europe ex-Spain	48.7%	46.0%
Asia & RoW	23.2%	22.5%
Spain	14.6%	15.7%
Americas	13.5%	15.8%
TOTAL	100.0%	100.0%

Inditex continues to expand its global, fully integrated platform underpinned by the key strategic pillars of store & online integration, digitalisation and sustainability.

Inditex's FY2020 performance has been materially impacted by covid-19 with temporary store closures. Online sales have seen outstanding growth in FY2020, benefiting from the single inventory position.

As at 31 January 2021, 30% of stores were in full lockdown (versus 8% on 31 October 2020) and 52% had restrictions. The chart below illustrates the number of stores with sales over the period on a weekly basis.

STORES OPEN

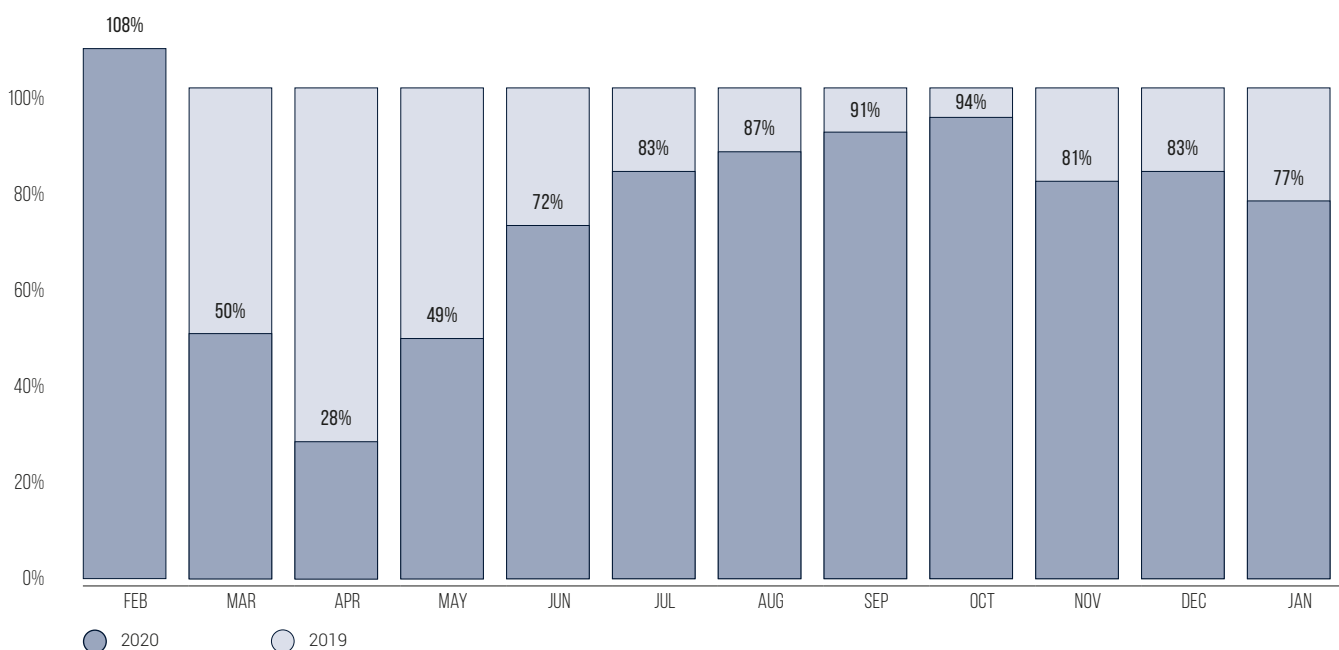


Collections were very well received by our customers. Our supply chain continued to operate normally due to the flexibility of our business model based on proximity sourcing and the single inventory position. Inventory integration proved to be pivotal during this period. We have also implemented initiatives to adjust operating expenses.

The flexibility of the business model has been key to the operational and financial performance.

The chart below shows the monthly sales performance in the period versus last year.

STORES & ONLINE SALES IN CONSTANT CURRENCIES



Inditex continues to roll out its global, fully integrated store and online platform. Inditex remains very active in the differentiation of its store base.

Inditex generated a strong operating performance. In FY2020, net sales reached €20.4 billion (€28.3 billion in FY2019). Sales in constant currencies decreased 24.5%. The chart shows the full year and 2H2020 results:

€ MILLION	2020	20/19	2H20	20/19
Net Sales	20,402	(28)%	12,369	(20)%
Gross profit	11,390	(28)%	6,878	(19)%
EBITDA	4,552	(40)%	3,066	(26)%
Net income	1,106	(70)%	1,300	(38)%

Despite the disruption caused by the lockdowns and restrictions, the strength of the business model is reflected in the high sales productivity. Trading hours were down 25.5% versus 2019. Total store and online sales in constant currency were down 24.5% versus 2019. The table below illustrates this performance:

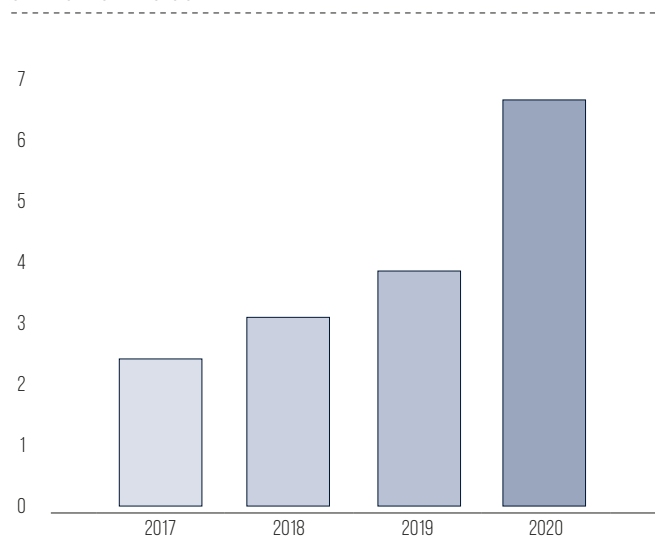
	2020	2H20	4Q20
Trading hours	(25.5)%	(15)%	(23.5)%
Total store & online sales growth	(24.5)%	(15)%	(19.5)%

Inditex sees strong growth opportunities and continues to expand its global, fully integrated store and online sales platform.

Global online sales launches are on track. In 2020, Zara launched online in 25 markets.

Online sales came to €6.6 billion and grew 77% in constant currencies. 95% of online growth in the year was organic. Customer engagement remains very high. Active App's reached 132 million. Online visits in FY2020 have grown 50% to 5.3 billion visits. The Group has 200 million followers on social media.

ONLINE SALES (BILLIONS €)



The RFID and SINT programmes have now been fully rolled out in all concepts. SINT contributed €1.2bn to online sales in the year. This has allowed Inditex to transition into a company that is more responsive, adaptable, and agile.

Inditex Open Platform (IOP) is 80% implemented. This is expected to be fully rolled out by the end of FY2021.

Sustainability is a key part of Inditex's strategy. As per the Sustainability Roadmap Goals, Inditex has achieved all of the targets set for 2020. In particular, outperformance was seen in two main areas: *Join Life* and renewable energy. The Group has also set ambitious new targets for the year 2023.

Gross profit came to €11.4 billion, compared with €15.8 billion in FY2019. The gross margin reached 55.8% (-6 bps). The gross margin in constant currency in FY2020 increased +170 bps to 57.6% (+257 bps in 2H2020).

The implementation of efficiencies has resulted in operating expenses being tightly managed over FY2020.

	2020	2019	20/19
Personnel expenses	3,376	4,430	(24)%
Rental expenses	181	695	(74)%
Other operating expenses	3,250	3,051	7%
TOTAL	6,807	8,176	(17)%

Inditex incurred extraordinary expenses related to covid-19 of €394 million in 2H2020.

EBITDA in FY2020 came to €4.6 billion vs. €7.6 billion in FY2019. EBIT came to €1.5 billion vs. €4.8 billion in FY2019.

The following chart shows the breakdown of financial results:

	2020	2019
Net financial income (losses)	(2)	17
Lease finance costs	(120)	(142)
Foreign exchange gains (losses)	(17)	(26)
TOTAL	(139)	(152)

The breakdown of profit before tax by concept is shown below:

PBT BY CONCEPT

CONCEPT	2020	2019
Zara (Zara and Zara Home)	971	3,370
Pull&Bear	95	301
Massimo Dutti	62	282
Bershka	113	349
Stradivarius	117	300
Oysho	43	70
Uterqüe	1	9
TOTAL PBT	1,401	4,681

Results from companies consolidated by the equity method came to €33 million.

Net income in FY2020 came to €1.1 billion vs. €3.6 billion in FY2019.

Return on Equity, defined as net income on average shareholder's equity:

	2020	2019
Net income	1,106	3,639
Shareholders equity - previous year	14,913	14,653
Shareholders equity - current year	14,520	14,913
Average equity	14,716	14,783
RETURN ON EQUITY	8%	25%

Return on Capital Employed (ROCE), defined as PBT on average capital employed (shareholder's equity plus net financial debt):

	2020	2019
PBT	1,401	4,681
Average capital employed :		
Average shareholders' equity	14,716	14,783
Average net financial debt (*)	-	-
Total average capital employed	14,716	14,783
RETURN ON CAPITAL EMPLOYED	10%	32%

(*) Zero when net cash

Return on Capital Employed by concept:

CONCEPT	2020	2019
Zara (Zara and Zara Home)	9%	30%
Pull&Bear	11%	39%
Massimo Dutti	6%	31%
Bershka	11%	39%
Stradivarius	16%	47%
Oysho	15%	26%
Uterqüe	1%	16%
TOTAL	10%	32%

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached there is Annex II showing the 2020 results by quarter.

Issues relating to sustainability and employees

See Annex IV "Statement of Non-Financial Information".

Liquidity and capital resources

Inditex continued to show a strong financial position in FY2020. Due to the strong operating performance, the full store and online integration, and the store optimisation programme we are seeing a lower inventory on sales and an increased cash generation.

The net cash position was €7.6 billion at FYE 2020.

	31 JANUARY 2021	31 JANUARY 2020
Cash & cash equivalents	7,398	4,780
Short term investments	176	3,319
Current financial debt	(11)	(32)
Non current financial debt	(3)	(6)
NET FINANCIAL CASH (DEBT)	7,560	8,060

The operating working capital position remains negative as a result of the business model. Inventory increased 2% in 2020, a decrease of 9% excluding the 4Q2019 provision.

	31 JANUARY 2021	31 JANUARY 2020
Inventories	2,321	2,269
Receivables	715	780
Payables	(4,747)	(5,585)
OPERATING WORKING CAPITAL	(1,711)	(2,536)

Capital expenditure for FY2020 amounted to €713 million.

The Group's capital structure is characterised by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2021.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 20 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2021, detailed under "Information on the outlook for the group".

Main risks and uncertainties

In order to facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organisation as a whole. Accordingly, the Group defines a risk as "any potential event that may have a negative impact on the achievement of the business objectives".

The risks reviewed are classified and grouped in the following categories:

1. Financial risks

Financial risks are threats originating in the macroeconomic sphere, financial markets, global value chains and industry- or company-specific events that may prevent the proposed objectives from being attained.

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes market risk, foreign exchange rate risk, counterparty risk and commodity price increases. The Euro is the Group's functional currency. Its international transactions require the use of numerous non-euro currencies giving rise to foreign currency exchange risk. The Group has investments overseas whose assets are exposed to the foreign currency exchange risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e. in euros, it is exposed to foreign currency exchange risk in the translation of the results of all its entities located outside the Economic and Monetary Union. The Company is also exposed to the risk arising from the payment and collection flows in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

The Group is exposed to counterparty risk from its suppliers of goods and services as well as from its customers and business partners which could impact the normal development of some of its operations. The

majority of its revenue relates to retail sales which are collected on demand, either in cash or through credit card. There are therefore no significant concentrations of credit risk. The financial solvency of the Group's most important third parties is analysed and monitored as part of an analysis process that also encompasses legal, compliance, reputational and other aspects. The Group is also exposed to the risk that counterparties (mainly financial) fail to comply with their obligations in relation to investing the company's cash, credit policies or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

Interest rate and liquidity risk are also assessed. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum, also taking into account sovereign or jurisdiction risk. The current negative interest rate environment, especially in the Economic and Monetary Union, poses a potential risk of negative profitability in the Group's financial position. Consideration is also given to the potential impact resulting from the increase in the price of the many raw materials consumed indirectly in the Group's operations and in its procurement of goods and services.

Lastly, this category includes risks relating to the competitive environment, meaning the difficulties in adapting to the environment or market in which the Group operates, as regards both the procurement processes and the product retailing and sale activities. It consists of the Group's possible inability to follow and respond to changes in its target market or to adapt to new situations in its supply or distribution countries, considering the difficulties involved in recognising and taking on board the ongoing changes in fashion trends, and in manufacturing, supplying and marketing new items that meet customer expectations. The optimal achievement of business objectives may be shaped by a decline in consumption resulting from an economic downturn, whether global or limited to one or more of the markets in which the Group operates.

2. Geopolitical Risks

Geopolitical risks arise from a deterioration in the political situation, a society's crime levels, changes in the ideology, leadership and regulation of its authorities, politically motivated conflicts at home or between nation states that threaten operations or forecast performance.

Potential instability in the territories where the Group's supply chains are located, as well as where products are marketed, is a significant risk. The business model is based on a value chain with multiple geographic origins. The Group's integrated sales model enables it to operate in more than two hundred markets, which ensures a significant level of diversification and resilience. As a

result of its broad geographic presence, the Group is directly or indirectly exposed to multiple legislations in the countries where it operates (tax, customs, labour, trade and consumer, industrial and intellectual property, data protection and privacy regulations, as well as regulatory risks of a criminal nature, crimes related to corruption, fraud and bribery, cybersecurity and environmental legislation, among others). Regulatory changes as well as differing or even divergent treatment of legal facts in different jurisdictions expose the Group to potential negative effects of a financial, compliance and/or reputational nature.

In the wake of the referendum on 23 June 2016, on 1 February 2020 the United Kingdom ceased to be a member State of the European Union pursuant to the Withdrawal Agreement. The agreement provided for a transitional period until 31 December 2020 during which EU law continued to apply to and in the United Kingdom. The European Union and the United Kingdom signed the Trade and Cooperation Agreement of 24 December 2020, regulating their relations now that the two territories constitute two separate markets, with distinct regulatory and legal spaces. Although the Trade and Cooperation Agreement goes beyond the terms of a standard free trade agreement and also sets out a very ambitious framework for governance and cooperation on economic, social and environmental issues, the United Kingdom becomes a third country. It is therefore inevitable that barriers to trade in goods and services and to cross-border mobility and exchanges in both directions will arise, affecting all stakeholders, citizens, public administrations and businesses.

Since the referendum, the Group has been working on an action plan to analyse, assess, design and implement the necessary mitigation measures to minimise the potential impact of Brexit on the Group's business in general and on the UK market in particular. Although the severe scenario of a no-deal Brexit, which was the maximum level of disruption envisaged, has not materialised, the current circumstances do introduce new operational and business requirements. These are common and familiar circumstances in many of the markets where the Group operates, but new to the UK market. The Group has taken the necessary steps to mitigate the impact of Brexit on its operational processes, particularly in relation to supply chain, distribution and labour issues. The relevant administrative and accounting procedures have been adapted and configured to ensure compliance with the new regulations, including indirect taxation and customs duties. In addition, some supply, transport and distribution flows between the EU and UK have been redesigned.

3. Technological Risks

The technological risk category includes targeted cyber-attacks, collapse of critical infrastructure, industrial accidents with direct or indirect impacts, as well as the inability to adapt to technological advances.

These include the risks associated with the technological infrastructure, the effective management of information, IT and robotic networks and communications. They also include those relating to the physical and technological security of systems, in particular, the risk of cyberattacks on information systems, which could potentially affect the confidentiality, integrity and availability of critical data.

These risks may significantly affect the normal functioning of the Group's operations. Some of the operational risks are concentrated at logistics centres and at third-party operators transporting goods. Clothing, footwear, accessories and household products for all the chains are distributed from 14 logistics centres located all around Spain. Logistics distribution is complemented by the Lelystad logistics connection point, in the Netherlands, as well as other smaller logistics centres located in other countries and with third party logistics operators which carry out small scale distribution operations.

The ability to adapt to technological innovations and evolutions in a broad sense, both in customer interaction through the development of a satisfactory omni-channel experience, as well as in the improvement of operational processes, is essential to ensure the Group's commercial success in a highly competitive environment.

4. Environmental Risks

Environmental risks are risks associated with natural disasters, climate change and the interactions resulting from human exploitation of the environment.

Key operations pertaining to business and transport processes could be paralysed as a result of natural disasters (floods, fires, earthquakes, etc.), especially if they affect the Group's critical infrastructures. The Group's performance is exposed to the potential impact of climate change in its various manifestations of physical risk, whether chronic or catastrophic. In this connection, significant changes in weather cycles may affect consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others. There are potential financial and reputational risks associated with the nature, speed and focus of policy, legal, technological and market changes as society transitions to a low-carbon economy.

There is also a risk arising from the potential adverse effects of the Group's value chain due to the discharge of undesirable or hazardous substances into the environment, or potentially resulting in the loss of biodiversity, deforestation, soil degradation, shortage of raw materials, among others.

5. Social Risks

The category of social risks includes risks arising from socio-economic trends in societies, including the evolution of preferences, social norms, demographics, as well as the prevalence of diseases and the development of public healthcare systems.

The main risks relating to human resources are those arising from potential dependence on key employees and from the failure to keep an adequate work environment in all the work centres.

This category includes the risk of infectious diseases. It corresponds to the potential disruption caused by a local, regional or global pandemic as a result of infectious diseases against which there is little or no pre-existing immunity in the human population. The note on covid-19 details its impact during the year and the mitigation measures implemented.

Lastly, this category also includes risks which have a direct influence on the perception of the Group by its stakeholders (customers, employees, shareholders and suppliers) and society in general. They arise from the possibility of the inappropriate management of issues relating to social and environmental sustainability, responsibility on account of health and safety of the products, the corporate image of the Group, as well as its image in social networks, and any other potential regulatory breach or good practices that might have an impact on the Organisation's reputation.

6. Governance Risk

Governance risks include a set of risks of various kinds. These include non-compliance by the Company, and in particular by its Board of Directors and Senior Management, with (i) the law in a formal or material sense; (ii) good governance guidelines; (iii) best practices; and (iv) the commitments that Inditex voluntarily undertakes as a business, as well as the risks resulting from the tactical and strategic decisions of the Group's management that may result in the non-fulfilment of the business objectives of the functional areas or of the Group, as well as risks of corruption or damage to the reputation of the company.

Risk management in the Group is a process promoted by the Board of Directors and Senior Management and is the responsibility of all members of the Group, the purpose

of which is to provide reasonable assurance that the objectives established by the Group will be achieved as a response to the social and environmental challenges, furnishing all stakeholders with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Integrated Risk Management System ("IRMS") is based on the Risk Management and Control Policy, which sets out the basic principles, key risk factors and the general framework for risk management and control.

The Risk Management and Control Policy is implemented and complemented by specific policies and internal regulations relating to certain units or areas of the Group. The policies and internal regulations developed and implemented by these areas for the management of the different types of risk include most notably:

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.
- The Policy Management of Risks.
- The Code of Conduct and of Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Internal Regulations of Conduct in the Securities Markets.
- The Code of Conduct of Manufacturers and Suppliers.
- The Occupational Health and Safety Policy.
- The Sustainability Policy.
- The Information Security Policy.
- The Standard for Procurement Management.
- The Policy on Communications and Contact with Shareholders, Institutional Investors and Proxy Advisers.
- The Policy and Procedure for Representatives and Attorneys.
- The Policy on Human Rights.
- The Diversity and Inclusion Policy.
- The Compliance Policy.

- The Tax Strategy and Tax Policy.
- The Anti-Money Laundering and Terrorist Financing Policy.
- The Due Diligence Policy.
- The Conflict of Interest Policy.
- The Policy on Donations and Sponsorships.
- The Policy on Gifts and Business Courtesies.
- The Policy on Dealings with Public Servants.

For more details, see Section E " Enterprise Risk management systems" of the Annual Corporate Governance Report for 2020.

Significant events after the reporting period

No significant events have occurred since the reporting date.

Information on the outlook for the Group

Total annual capital expenditure during the period 2020-2022 will be around €900 million. The plan includes digital investments of c. €1 billion over the three years.

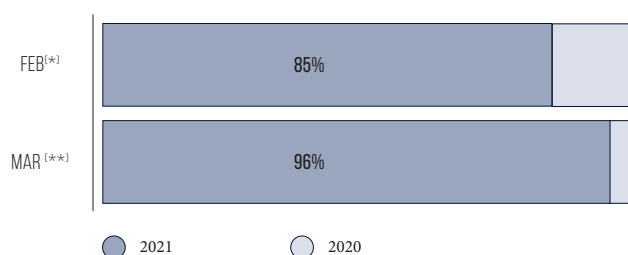
Online sales are expected to continue growing at a significant rate.

Spring/Summer collections have been very well received by our customers.

In February, an average of 21% of stores were temporarily closed. At 8 March 15% of stores remained temporarily closed.

Online sales in 1Q2021 continue to grow at a similar rate seen in the FY2020. The chart shows the monthly store & online sales in constant currencies to date versus last year.

STORES & ONLINE SALES IN CONSTANT CURRENCIES



(*) Feb excluding leap year effect

(**) 1-7 March.

Store and online sales 1-7 March were -4% vs -4% in same period in 2020. Excluding the five most relevant markets in lockdown at the moment (Brazil, Germany, Greece, Portugal and UK) sales grew 2%.

According to current information, practically 100% of stores will be open by 12 April.

R&D+I activities

The Inditex Group carries out research, development and innovation activities in all areas of its business with the aim of improving the manufacturing and distribution processes and developing technologies that facilitate business management, either using its own resources or with the help of third parties. In particular, we highlight the activity of designing clothing, accessories and household items, logistics and those related to technology linked to point-of-sale terminals, to administration and inventory management systems, to delivery systems at distribution centres, to communication with stores, to garment labelling and, finally, to the activity linked to the digital transformation of the business.

Acquisition and sale of treasury shares

The Annual General Meeting held on 19 July 2016, approved a 2016-2020 Long-Term Incentive Plan (Note 26 of the consolidated financial statements for 2019) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this Plan. Likewise, the Annual General Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for these plans, rendering the previous authorization invalid.

At 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

Subsequently, in the first half of 2020, the second cycle (2017-2020) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of said second cycle of the Plan.

Aside from these share deliveries, there were no other operations involving treasury shares in 2020.

Consequently, at 31 January 2021, the Company owned a total of 1,726,305 treasury shares, representing 0.055% of the share capital.

Other salient information

Stock market information

The Inditex share price closed 2020 at EUR 24.49 per share on 31 January 2021. The average daily trading volume was

approximately 5 million shares. In the same period, the Ibex 35 fell by 17%, while the Dow Jones Stoxx 600 Retail gained 10%.

Inditex's market capitalization stood at EUR 76,327 million at the end of the period, up 733% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 19% decrease in the Ibex 35 index in the same period.

The dividend for 2019, paid in November 2020, amounted to EUR 0.35 per share in circulation.

Dividend policy

The dividends paid by the Parent in 2020 and 2019 amounted to EUR 1,090 million and EUR 2,741 million, respectively. These amounts correspond to payments of EUR 0.35 per share in 2020 and EUR 0.88 per share in 2019.

The distribution proposed by the Board of Directors is shown in Note 28.

Other disclosures

Related party transactions

Transactions with related parties are described in Notes 27 and 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in 2020 that substantially affected its financial position or results.

Information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December

The Group's supplier payment policy complies with the periods for payment to suppliers set in the late payment legislation in force. The Group is developing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

Annual Corporate Governance Report

The Annual Corporate Governance Report (Annex V) for 2020 is available at www.inditex.com and was published on 10 March 2021 in CNMV's website (www.cnmv.es), in the Other Relevant Information section.

Non-financial information and information on diversity

The Statement on Non-Financial Information of the Inditex group is attached hereto as Annex IV.

Alternative performance measures

The Gross Margin, Gross operating profit (EBITDA), Net operating profit (EBIT), Profit before taxes (PBT), ROE, ROCE, working capital, net financial position, Average net financial debt and Quarterly results are defined in the introduction to the Consolidated Annual Accounts 2020.

The information disclosed in this document may contain statements in relation to future intentions, expectations and projections. All such statements, except for those based on historical data, are forward-looking statements, including, inter alia, those that address our financial position, business strategy, management plans and objective for future transactions. The aforementioned intentions, expectations or projections are subject per se to risks and uncertainties which could cause actual results to differ from those anticipated.

These risks include, but are not limited to, competition within the sector, consumer preferences and spending trends, economic and legal conditions, restrictions on free trade and/or political instability in those markets where the Inditex Group has a presence or in those countries in which Group products are manufactured or distributed.

The risks and uncertainties that could potentially have an impact on the information disclosed are difficult to predict. The Group undertakes no obligation to publicly update or revise any of the forward-looking statements in the event that any unforeseen changes or events arise which might affect them.

Annex II : Income statement FY2020 quarterly results

	2020 QUARTERLY RESULTS			
	Q1	Q2	Q3	Q4
Net sales	3,303	4,730	6,052	6,317
Cost of sales	(1,374)	(2,148)	(2,392)	(3,100)
GROSS PROFIT	1,930	2,582	3,661	3,217
	58.4%	54.6%	60.5%	50.9%
Operating expenses	(1,448)	(1,572)	(1,792)	(1,995)
Other net operating income (losses)	2	(8)	(20)	(5)
OPERATING CASH FLOW (EBITDA)	484	1,002	1,848	1,218
	14.6%	21.2%	30.5%	19.3%
Amortisation and depreciation	(992)	(692)	(704)	(657)
OPERATING INCOME (EBIT)	(508)	310	1,144	561
	(15.4)%	6.6%	18.9%	8.9%
Financial results	(35)	(41)	(31)	(32)
Results from companies consolidated by equity method	4	7	7	15
INCOME BEFORE TAXES	(539)	276	1,120	544
	(16.3)%	5.8%	18.5%	8.6%
Taxes	130	(65)	(253)	(108)
NET INCOME	(409)	211	866	436
	(12.4)%	4.5%	14.3%	6.9%
MINORITIES	-	(4)	1	1
NET INCOME ATTRIBUTABLE TO THE CONTROLLING COMPANY	(409)	214	866	435
	(12.4)%	4.5%	14.3%	6.9%

Annex III: Detail of stores by concept and market as at 31 January 2021

MARKET	ZARA	ZARA KIDS	PULL&BEAR	MASSIMO DUTTI	BERSHKA	STRADIVARIUS	OYSHO	ZARA HOME	UTERQÜE	INDITEX
ALBANIA	1	-	1	1	2	2	-	1	-	8
GERMANY	71	-	11	13	13	-	-	12	-	120
ANDORRA	1	-	1	1	1	1	1	1	-	7
SAUDI ARABIA	47	-	19	12	32	45	18	8	5	186
ALGERIA	2	-	2	-	3	3	1	2	-	13
ARGENTINA	11	-	-	-	-	-	-	-	-	11
ARMENIA	2	-	2	2	2	2	1	1	-	12
ARUBA	1	-	-	-	-	-	-	-	-	1
AUSTRALIA	19	-	-	-	-	-	-	-	-	19
AUSTRIA	12	-	4	1	7	-	-	3	-	27
AZERBAIJAN	3	-	2	3	3	2	1	-	-	14
BAHREIN	2	-	1	2	1	1	1	1	-	9
BELGIUM	30	-	7	18	14	2	3	7	-	81
BELARUS	2	-	2	1	2	3	1	1	-	12
BOSNIA	3	-	4	1	4	4	-	-	-	16
BRAZIL	52	-	-	-	-	-	-	8	-	60
BULGARIA	6	-	5	6	7	4	6	1	-	35
CANADA	32	-	-	8	-	-	-	1	-	41
CHILE	9	-	-	-	-	-	-	4	-	13
MAINLAND CHINA	141	-	6	74	7	-	66	42	1	337
HONG KONG SAR	13	-	4	1	3	-	2	1	-	24
MACAO SAR	2	-	-	1	-	-	1	1	-	5
TAIWAN, CHINA	9	-	3	5	3	-	-	2	-	22
CYPRUS	7	-	5	5	6	6	4	5	-	38
COLOMBIA	13	-	9	5	12	12	4	5	-	60
SOUTH KOREA	41	-	-	6	-	-	4	5	-	56
COSTA RICA	2	-	2	1	2	2	1	1	-	11
CROATIA	10	-	7	4	9	7	3	2	-	42
DENMARK	4	-	-	-	-	-	-	1	-	5
ECUADOR	2	-	3	1	3	3	1	-	-	13
EGYPT	7	-	7	6	7	6	5	4	-	42
EL SALVADOR	2	-	2	-	2	2	1	-	-	9
UAE	14	-	9	8	10	6	8	7	2	64
SLOVAKIA	3	-	3	1	5	4	-	-	-	16
SLOVENIA	5	-	2	1	4	4	-	-	-	16
SPAIN	279	77	184	143	174	267	151	108	28	1,411
UNITED STATES	99	-	-	-	-	-	-	-	-	99
ESTONIA	3	-	1	2	1	1	-	1	-	9
PHILIPPINES	9	-	3	2	5	4	-	-	-	23
FINLAND	6	-	-	1	-	-	-	-	-	7
FRANCE	118	-	38	13	52	29	6	18	-	274
GEORGIA	4	-	2	4	3	3	2	1	-	19
GREECE	40	5	24	12	28	22	19	9	-	159
GUATEMALA	3	-	3	1	3	3	1	1	-	15
NETHERLANDS	29	-	11	4	18	6	-	7	-	75
HONDURAS	2	-	2	1	2	2	1	1	-	11

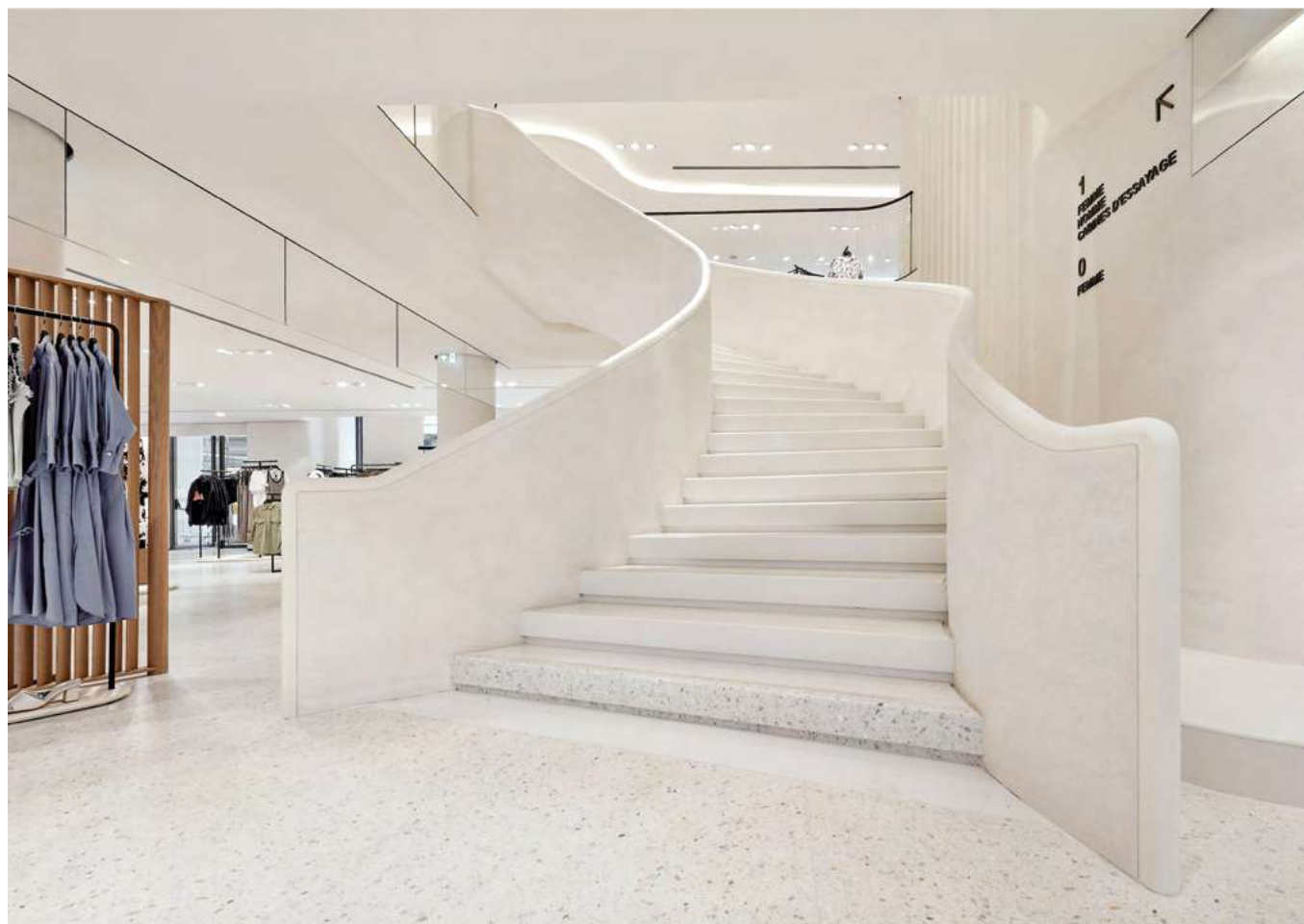
MARKET	ZARA	ZARA KIDS	PULL&BEAR	MASSIMO DUTTI	BERSHKA	STRADIVARIUS	OYSHO	ZARA HOME	UTERQÜE	INDITEX
HUNGARY	8	-	8	3	9	7	2	2	-	39
INDIA	22	-	-	3	-	-	-	-	-	25
INDONESIA	17	-	14	5	9	14	4	3	-	66
IRELAND	9	-	3	2	6	4	-	-	-	24
ICELAND	1	-	-	-	-	-	-	-	-	1
ISRAEL	25	-	24	3	17	8	-	2	-	79
ITALY	96	-	53	6	67	84	26	25	-	357
JAPAN	92	-	-	-	18	5	-	18	-	133
JORDAN	3	-	2	2	2	4	2	2	1	18
KAZAKHSTAN	5	-	5	4	6	5	5	4	2	36
KUWAIT	6	-	3	3	4	4	4	4	2	30
LATVIA	3	-	2	4	2	2	2	1	-	16
LEBANON	5	-	3	3	6	4	4	4	1	30
LITHUANIA	5	-	3	5	4	4	1	2	-	24
LUXEMBOURG	4	-	1	2	1	1	1	1	-	11
NORTH MACEDONIA REP.	1	-	1	1	1	1	-	-	-	5
MALAYSIA	8	-	4	5	2	-	-	-	-	19
MALTA	1	-	3	1	1	1	1	3	-	11
MOROCCO	8	-	2	3	4	7	3	4	1	32
MEXICO	84	-	68	40	74	52	51	30	16	415
MONACO	1	-	-	-	-	-	-	-	-	1
MONTENEGRO	1	-	1	-	1	1	-	-	-	4
NICARAGUA	1	-	1	-	1	1	-	-	-	4
NORWAY	5	-	-	-	-	-	-	-	-	5
NEW ZEALAND	1	-	-	-	-	-	-	-	-	1
OMAN	1	-	-	-	1	1	1	1	-	5
PANAMA	2	-	2	1	2	2	1	1	-	11
PARAGUAY	1	-	-	-	-	-	-	1	-	2
PERU	4	-	-	-	-	-	-	3	-	7
POLAND	44	-	33	26	47	50	20	15	4	239
PORTUGAL	71	11	47	41	46	43	30	25	6	320
PUERTO RICO	3	-	-	-	-	-	-	-	-	3
QATAR	6	-	5	4	5	4	5	5	2	36
UNITED KINGDOM	58	-	8	12	7	6	-	11	-	102
CZECH REPUBLIC	5	-	3	2	5	4	1	1	-	21
DOMINICAN REPUBLIC	3	-	1	2	2	2	2	2	-	14
ROMANIA	25	-	25	12	28	25	13	10	1	139
RUSSIA	85	-	86	53	102	76	63	44	12	521
SERBIA	6	-	6	4	6	6	4	3	-	35
SINGAPORE	10	-	3	6	3	-	1	-	-	23
SOUTH AFRICA	8	-	-	-	-	-	-	1	-	9
SWEDEN	11	-	1	3	-	-	-	1	-	16
SWITZERLAND	20	-	4	5	6	-	1	4	-	40
THAILAND	12	-	2	4	1	-	1	2	-	22
TUNISIA	5	-	3	2	4	4	3	2	-	23
TURKEY	39	-	32	26	32	32	27	20	-	208
UKRAINE	10	-	15	7	15	13	8	3	1	72
URUGUAY	2	-	-	-	-	-	-	2	-	4
VENEZUELA	7	-	4	-	8	-	-	-	-	19
VIETNAM	2	-	1	1	-	1	-	-	-	5
INDITEX	2,025	93	873	677	1,005	936	600	535	85	6,829



Enterprise Risk Management Systems

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Enterprise Risk Management Systems

Risk Management Framework

Inditex's Integrated Enterprise Risk Management System ("ERMS") extends to the whole Group, both at corporate, business units and subsidiaries' level, irrespective of their geographic area. It is part of the strategic planning process, the definition of business objectives and of the daily operations of the Group. The Integrated Enterprise Risk Management System encompasses both financial and non-financial risks that the Group faces (including tax, operational, technological, risks related to cybersecurity, legal or regulatory, social, environmental risks, risks related to climate change, political, reputational risks, and risks related to corruption). The Group defines risk as any potential event, irrespective of their nature, that may impact at a given time the achievement of business objectives.

The Enterprise Risk Management Policy sets out the overarching principles, risk factors and the general framework for action in order to manage and monitor the risks that affect the Group. The board of directors is responsible for determining the enterprise risk management policy, this being a non-delegable power. Although the Policy is driven by the board of directors and the senior management its implementation is incumbent on each and every member of the company. The enforcement of the Policy, in full or in part, may extend to any natural and/or legal person associated with Inditex. The Policy seeks to provide reasonable assurance as to the achievement of the targets set by the Group in response to social and environmental challenges, providing all its stakeholders with an appropriate level of assurance which ensures protection of the value built.

The ERMS is based on the above referred Policy and is implemented and supplemented by other specific risk policies or regulations which are laid down in respect of certain units or areas of the Group. The ERMS coexists with other functions tasked with overseeing specific risk areas. The enterprise risk management policies or regulations implemented include:

- Investment Policy
- External Financing Policy
- Payment Management Policy
- Financial Risk Management Policy

- Policy on Management of Insurable Risks
- Code of Conduct and Responsible Practices
- Policy on Criminal Risk Prevention
- Internal Regulations of Conduct in the Securities Markets
- Code of Conduct for Manufacturers and Suppliers
- Occupational Health & Safety Policy
- Sustainability Policy
- Information Security Policy
- Standard for Procurement Management
- Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors
- Policy on Disclosure of Economic-Financial, Non-Financial and Corporate Information
- Policy and Procedure for Representatives and Attorneys
- The Policy on Human Rights
- The Diversity & Inclusion Policy
- Compliance Policy
- Tax Strategy and Tax Policy
- Anti-money Laundering and Terrorist Financing Policy Due Diligence Policy
- Conflicts of Interest Policy
- Policy on Donations and Sponsorship
- Policy on Gifts and Business Courtesies
- Policy on Relations with Civil Servants

The Group's ERMS ensures the appropriate segregation of duties among the different elements which make it up, i.e., among the areas or business units which assume and manage risks and the areas responsible for coordinating, monitoring and overseeing them. It is based upon a

differentiated responsibility model, the "Three lines of defense" model-

Business units act as the first line of defense, setting appropriate risk management mechanisms and reporting the relevant information to the different areas entrusted with oversight duties with regard to the suitability of the internal control system, and to the ERM Department (which reports to the Financial Department) as the second line of defense. In turn, Internal Audit acts as the third line of defense, overseeing independently and objectively the operation and effectiveness of ERMS and reporting to the board of directors through the Audit and Compliance Committee.

The Integrated Enterprise Risk Management System of the Group is based upon the COSO ERM methodological framework and the relevant ISO standards, aligned with the requirements and particularities of the Group. Uniform, standardized and systematic processes are in place for risk identification, assessment and prioritization based upon the following concepts: risk appetite, risk tolerance and risk target. The risk factors that the Group addresses are classified in 6 different groups, which are in turn divided into families and sub-types of lesser rank based upon their causality: financial, geopolitical, technological, environmental, social and governance risks.

Risk identification seeks to pinpoint, recognize and describe such risks which may hamper achievement of objectives by the Organization. Identification requires relying on the best available information resting on the knowledge and experience of areas directly responsible for risk management, which will be supplemented, as the case may be, with the relevant external sources. In addition, emerging risks are considered, i.e., any new risks which are undergoing transformation or are a new combination of risks whose impact, likelihood of occurrence and cost has not been grasped yet.

Risk criteria must be fixed by the Senior Managers based upon the objectives and interests of the Group and its stakeholders, and are regularly updated. Risks are assessed in terms of residual risks, i.e. the amount of risk remaining after it has been treated through the relevant action in response adopted.

Each risk is assessed based upon three parameters: impact, likelihood of occurrence and preparedness level. The ERM Department regularly requests business units, at least once a year, to assess and review the different risks and the mitigation measures implemented and estimated, by means of interviews and checklists of questions. A register of risks is kept, represented in a risk map. The map covers critical risks, i.e. those which if materialized might hamper the achievement of the strategic objectives

set by the Group. Such map is regularly reported to the board of directors.

- **Impact**, defined as the effect that risk would have should it materialize, is calculated by combining risk consequences in a number of variables, both financial and non-financial. Risk managers consider the worst possible impact scenario for risk materialization and assess impact on each strategic objective based upon their own estimates, except for the "Corporate image and reputation" variable; to assess this latter, Risk managers use a standard checklist of questions. To obtain the aggregate assessment of risk impact, the result of the variable with the highest impact is considered and increased based upon the other variables, which are also affected, to which a weighing factor applies in accordance with their own value. This final assessment is subsequently transferred to the tolerance scales defined by the Senior Management for each variable to achieve the total impact level. Different thresholds are currently assessed for the following financial variables: sales variation, Gross Margin variation, net profit variation and cash flow from operating activities (standardized) variation.

- **Likelihood of occurrence**: Risk managers consider an average scenario to assess likelihood of occurrence. The degree of likelihood assigned to risk materialization is assessed considering the historical background of the last 5 years and the expectations over a one-year period. The different possible scenarios in terms of impact and likelihood of occurrence are documented.

- **Preparedness level**: preparedness level is assessed based upon a checklist of questions on issues relating to the response capacity, existing mechanisms and controls, reviews of scenarios or existence of contingency plans.

Risk Factors. Follow-up, Risk Monitoring and Management

The main risk factors and the monitoring and management procedures are described below. The Group's risk taxonomy has been recently reviewed as part of the ERMS evolution and implementation process.

1. Financial Risks

These are threats which originate in macroeconomy, financial markets, global value chains and specific events of a given industry or company which may hamper achievement of objectives set.

In the ordinary conduct of its business, the Group is exposed to financial risks. Included in this category are

market risks, foreign exchange risk, counterparty risk and risk related to increase in the price of raw materials.

Exchange rate volatility

Euro is the functional currency of the Group. Its international transactions require using a large number of currencies other than euro, which gives rise to the foreign exchange risk. Exchange exposure materializes in terms of net investment, translation and transaction risks. The Group has investments abroad, the net assets of which are exposed to foreign exchange risk. As the consolidated financial statements of all Group companies are prepared in the functional currency, i.e., euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the Economic and Monetary Union (EMU). The Company also addresses the risk resulting from exchange rate volatility in respect of currencies other than euro in flows of collections and payments for acquisition of goods and provision of services both as regards transactions within the Group and outside the Group.

Foreign exchange rate risk is managed pursuant to the guidelines of the corporate risk management model materialized in the Financial Risk Management Policy, including ongoing monitoring of foreign exchange rate fluctuation and other measures designed to mitigate such risks, mainly by optimizing the Groups' operations, including risk centralization and its management to minimize its impacts, using natural hedges, the benefits of diversification and the arrangement of financial hedge.

The Policy sets forth review and follow-up procedures regarding foreign exchange exposure and the potential hedging strategies, the procedure to purchase financial derivatives and the registration and documentation thereof. Within the scope of its financial risk management policy, the Group uses the Cash-Flow-at-Risk (CFaR) methodology, for the purposes of estimating the potential impact that the fluctuations of the exchange rates might have on the consolidated pre-tax results and, as the case may be, determining the relevant mitigation strategy. The Group also uses the Value-at-Risk (VaR) method to manage translation risk in the most relevant accounting entries. Derivatives such as option buying strategies, zero cost option strategies and forward contracts, are occasionally used as part of the mitigation strategies.

Third-party risk

The Group is exposed to counterparty risk as regards its suppliers of goods and services, as well as its customers and business partners, which might impact the ordinary course of a number of its operations. Most of its revenue results from retail sales, where payment is made on demand, either in cash or with credit card. Thus, it is not exposed to significant concentrations of counterparty credit risk. The financial standing of major third parties is reviewed and monitored, this being part of a review process which also

covers, without limitation, legal, regulatory compliance and reputational issues. In addition, the Group also deals with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of the Company's cash, loan agreements and other financial and securities vehicles, and from derivatives used for financial risks hedging.

The Group's Financial Investment Policy seeks to ensure the security, integrity and liquidity of the company's financial assets. Based upon the Financial Risk Management Policy and its implementing regulations, the maximum exposure limits are determined in terms of counterparty, and the procedures to secure control, follow-up and monitoring of the credit risk are covered. The Company uses value at risk methodologies to assess the credit risk of its investment portfolio. This same policy applies to interest and liquidity risks. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum also considering sovereign exposure or country risk. The current environment of interest rates, in particular in the Economic and Monetary Union brings with it a risk of negative profitability in the Group's financial position. Finally, the potential impact resulting from the increase in the price of the many different raw materials indirectly used in Group operations, and in the purchase of goods and services is also considered among market risks. This risk is reviewed using the above referred value at risk methodology.

Also relevant to financial risk management is the Payment Management Policy, which sets out the principles aimed at ensuring compliance with the Group's obligations, safeguarding its interests and setting up the required procedures and processes to ensure an effective payment management. The Policy determines the best method, currency and terms to make payments, in economic, accounting and legal terms. It also covers the potential payment exceptions and the procedure to authorize them. Meanwhile, the Policy and Procedure for Representatives and Attorneys determines the different proxies included in each Group entitled to engage financial transactions on behalf of the company, including payments, the level of authorization according to the Group to which they belong, the authorized amount of the transaction and the required pairing of proxies according to such criteria.

Competitive environment

Also included in this group are risks associated with the competitive environment, understanding as such the difficulty in adjusting to the environment or market where the Group operates, whether as regards procurement processes or distribution and sale of goods. This element is inherent in the fashion retail business and consists of the eventual inability of the Group to follow up and offer a response to the evolution of its target market or to adjust to the new situations in procurement or distribution countries. Such risks stem from a presumptive difficulty in

recognising and taking in the ongoing changes in fashion trends, and manufacturing, supplying and placing on the market new models that fulfil customers' expectations.

Achievement of the business objectives might be affected by a decline in consumption as a result of an economic downturn, whether global or limited to a number of market where the Group operates. To mitigate such risk, the Group carries out a feasibility study for each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether estimated numbers are met. The company has very exacting requirements in terms of profitability of business premises. The Group's business model based on management seeks to improve the efficiency and effectiveness of existing markets, business lines and stores, in the pursuit of a streamlined and diversified commercial network within an organic model of growth of the existing business. The expansion policy, the multi-brand format of the Group and its commitment to the full integration of all the channels and the use of new technologies as an alternative channel of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to this environment risk.

Production and procurement have also been designed based upon a model which ensures a reasonable flexibility which permits adapting production to market demands and to potential changes in the environment of procurement markets. Stores and online teams are permanently in touch with the team of designers, through the Product Management Department, which allows them to keep abreast of changes in customers' taste. Meanwhile, vertical integration of transactions allows reducing lead and delivery times as well as stock volumes, while at the same time, the reaction capacity to introduce new products throughout the season is kept. Given the relevance that an efficient logistics management has on the materialisation of such risks, the Group reviews all the factors which might have a negative impact on the target of achieving maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

2. Geopolitical risks

These risks emerge from the deterioration of the political situation, the levels of crime in society, ideological shifts and changes to leadership and regulation of authorities, political conflicts at domestic level or among nations/states that represent a threat to operations or estimated outlook.

Political unrest

The potential unrest in the territories where the Group's supply chains are based and where its goods are marketed is a significant risk. The Group's business model is

supported by a value chain of varied geographic origins. This system allows a flexible response to meet the demand, ensures a high diversification level and offers alternatives in case a shift among different production markets is required in the event of serious or ongoing disruption. From the perspective of sales markets, the Group is present with its integrated sales model in some 200 markets, which ensures a significant level of diversification and resilience.

Regulatory framework

As a result of its extended geographic presence, both direct and indirect, the Group is subject to different legislation in the countries where it conducts business. The Group is exposed to potential negative financial, regulatory compliance and/or reputational impacts on account of unexpected regulatory developments and the potential consideration of legal facts in a dissimilar or even opposite way in different jurisdictions. Included in this category are risks regarding tax, customs, employment, trade and consumption and industrial and intellectual property, data protection and privacy regulations, as well as the risks associated with other legislations, namely regulatory risks of a criminal nature (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), whether or not they determine criminal liability of legal persons, as well as other regulatory non-compliance risks.

3. Technological Risks

Included in this group are cyberattacks orchestrated, critical infrastructure collapse, industrial accidents with direct or indirect impacts and the inability to embrace technological progress.

Cybersecurity

Given the importance the smooth running of technological systems has for the achievement of its objectives, the Group exercises, through the Information Security Department and with the support of the Information Security Committee, permanent control on such systems, aimed at ensuring streamlining and consistency thereof, in addition to the security and stability required for business continuity. The Group is aware that its systems will require continuous improvement and investment to prevent obsolescence and keep their response capacity at the levels required by the organization.

As a benchmark, aimed at keeping security and integrity of information and of the elements which process it, the Group relies on the Information Security Policy. The achievement of the objectives described in the Policy is based upon the following overarching principles: (i) classification of information in accordance with its

value, relevance and criticality for the business; (ii) use of information systems limited to lawful and exclusively professional purposes; (iii) segregation of duties to avoid risks; setting retention periods by information category, where necessary or convenient; (v) setting monitoring procedures to control how information is made available to third parties; (vi) Security in Information Systems; (vii) setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and (viii) alignment of the Group's IT systems with the requirements of applicable laws and regulations. Additionally, the roles, responsibilities and the remit of the different departments and bodies of the Organization are defined. The Information Security Policy is accepted by all users with access to information and is available on the Company's intranet (INET).

The risk map and inventory of technology and information security risks is updated on an annual basis, for the purposes of providing an aggregated view of the Group's situation that permits setting the relevant mitigation and continuous improvement measures.

For the specific purpose of keeping continuous systems operation, the Group relies on technical contingency systems which would, together with the associated technical procedures, reduce the consequences of any breakdown or stoppage. Technical contingency systems include, without limitation, the main data center - TIER IV certified (availability) - as well as the storage of synchronous data in redundant locations exposed to different physical or geological risks, or equipment and lines duplication.

Additionally, the Information Security Department exercises control duties as a second line of defense in an independent manner. It relies on continuous review mechanisms, which are regularly assessed by different internal and external audits, to prevent, detect and respond to any potential cyberattack. Such controls would allow anticipating and/or reducing the consequences of risk materialisation, together with insurance policies covering loss of profit, expenses stemming from cyberattack and corporate civil liability for damages incurred by third parties. Based upon the available information, the Organization considers that these controls have been successful to date. Particularly, regarding the *e-commerce* environment, the Group meets the requirements of the Payment Card Industry Data Security Standard (PCI DSS) and is certified for compliance with ISO/IEC 27011 in Information Security.

However, taking into account that every year a large number of hackers attempt to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner. For such reason, although Information Security is among

the top priorities for the Group, the possibility of a non-detectable attack, including to its services providers, which might have an impact on the operations or the information managed by the organization, cannot be ruled out.

Business interruption

Another technological risk stems from business interruption associated with the potential occurrence of extraordinary events beyond the control of the Group (fires, strike of haulers or key suppliers, power outage, discontinuance in the supply of fuel, goods detention during carriage, etc.,) which may significantly affect normal operations. Given the Group's operations, the main risks included in this category are found at logistics centers and in external operators charged with carriage of the goods. Apparel, footwear, accessories and homeware for all the brands are distributed from 14 logistic centers spread throughout Spain. Distribution logistics is also assured through a logistics connection point in Lelystad (the Netherlands), and by means of other smaller logistic centers based in different countries and by external logistics operators in charge of small volume distribution.

The size and use of all centers has been optimized, based upon the size of each brand or the specific requirements of the geographic area which they service. In particular, part of the above mentioned logistics centers specializes in distribution of goods sold online. The different hubs have been set in such a manner as to be able to assume storage and distribution capacity from other centers in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active steps to reduce risk exposure in respect of this type of risks, by means of a large number of prevention and protection measures at all its distribution centers, in addition to insurance policies covering both potential property damage incurred by the facilities and stock and loss of profit which might result from any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and considers, where appropriate:

- Investing in new logistic centers or extending the existing ones, so as to minimize the risk associated with the logistics planning and sizing.
- Investing towards improvement and automating processes in the existing hubs to enhance their capacity and efficiency and improve internal control on goods stored in such centers. In this regard, it bears mention the progressive use of RFID technology across the supply chain, which allows a significant degree of control on goods.

- The search, approval and monitoring of external logistics operators at different strategic points, with full integration in the logistics capacity of the Company.
- Data governance and use

Data governance, availability, quality and enhancement of the information generated by the Company has increasingly become a competitive advantage, essential for the ordinary course of business. This applies to information of varied nature: transactional and operational, relating to financial and accounting, management and budgeting and control matters.

For the purposes of reducing exposure related to data use and governance, management information circulated to the different supervisors is regularly reviewed, and investments are made in information transmission systems, data analysis and intelligence for the decision making and processes optimization (distribution, logistics, etc.) business monitoring and budgeting. Group departments, in particular, Planning and Management Control Dep. and Administration Dep., which report to the Financial Department, are directly responsible for creating and overseeing quality of information. The Information Security Department is tasked with ensuring that information is made available to and/or amended exclusively by duly authorized employees, parameterizing systems to ensure reliability, confidentiality integrity and availability of critical information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control System over Financial Reporting (ICFR) aimed at achieving a continuous follow-up and assessment of the main associated risks, which permits to reasonably ensure the reliability of the public financial information of the Group. Additional information on this issue is available in Section F below. The Group also relies on an internal control system to ensure the reliability of the non-financial information disclosed to the market (ICNFR).

In addition, the consolidated Annual Accounts and the individual accounts of all relevant companies, as well as the Statement on Non-financial Information, which is a part of the Directors' Report, are reviewed by the external auditor, who is also in charge of carrying out certain audit works relating to financial information. Likewise, with regard to the most significant companies of the Group, the external auditor is requested to issue recommendations on internal control.

Digitalization

Technological innovation and progress in the broadest terms, both as regards interaction with our customers by providing them with a satisfactory omni-channel experience, and the improvement of operating processes,

are essential to ensure business success. Being aware of such risk, the Group is committed to digital transformation, by adopting state of the art technology and services both customer and operations oriented, as one of its strategic targets.

4. Environmental risks

Those are risks associated with natural disasters, climate change and interactions resulting from the human exploitation of the environment.

Key operations of business and carriage processes might come to a halt as a result of natural disasters such as floods, fires, earthquakes, etc.,. These events might also affect critical infrastructures of the Group. Risk management in this area, including mitigation measures and resilience plans have been addressed in the section on technological risks.

Group performance is exposed to the potential impact that climate change, whether a chronic or catastrophic physical risk, may have. In this regard, sharp changes to climate cycles could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others. Likewise, certain potential financial and reputational risks are associated with the nature, speed and approach of political, regulatory, technological and market changes as the society transitions towards a low carbon economy. In June 2020, Inditex Group joined the "Task Force on Climate-related Financial Disclosures (TCFD)" and is currently integrating and implementing this standard into its ERMS as regards climate risks.

Another risk arises from the potential adverse impact of the Group's value chain on account of spillage of dangerous substances (whether biological or chemical) into the environment. In addition, there is a risk that the Group operations might result in loss of biodiversity, deforestation, land degradation and shortage of raw materials, among other things.

Steady progress towards the most exacting sustainability standards is one of the strategic pillars of the Group that seeks to play a transformative role in the industry. The Group has in place an Environmental Sustainability Policy that covers all the environmental commitments undertaken by the Group applicable across all its business areas and the entire supply chain. Under such Policy, three environmental strategies are implemented to ensure the best possible protection of environmental resources: the Biodiversity Strategy, the Global Water Management Strategy and the Global Energy Strategy. In line and in addition to such strategies, it bears mentioning that Inditex is committed to forest products and this has materialized in the Forest Product Policy. The Group is committed to clean energy and to implement circular management

models at headquarters, logistics centres, factories and stores, including, without limitation, the "Closing the Loop" programme. Additional information on this and other programmes and initiatives can be found in the Statement on Non-Financial Information, the Annual Report and on the corporate website.

In line with the Global Energy Strategy, the Group is a member of the UN *Fashion Industry Charter for Climate Action* (UNFCCC) with the initial medium-term objective of reducing its GHG emissions by 30% by 2030. The Group is also a signatory of the Fashion Pact and as such, is committed to working within the framework of the *Science-Based Targets* (SBT) initiative, that sets science-based reduction targets and which focuses on three essential pillars to protect the planet: stopping climate change, restoring biodiversity and protecting the oceans.

The Company seeks to play a leading role in transforming the industry and is committed to fully eliminating the use of plastic bags by 2020 as well as all single-use plastics for customers sales by 2023. Likewise, before 2025, 80% of the energy used in the Group activities (stores, logistic centres and offices) will be renewable. With regard to raw materials, 100% of the cotton, linen and polyester used in the goods the Group markets will be organic, sustainable or recycled by 2025.

One board committee, the Sustainability Committee is responsible for following up, inter alia, the sustainability strategy and practices of the Inditex Group.

5. Social Risks

Social risks are defined as those arising from social and economic trends in society, including the evolution of preferences, social standards, demographics and the prevalence of sickness and the development of public health systems.

Risks relating to the field of human resources are associated with a potential dependence on key personnel and the inability to swiftly adapt the organizational culture to staff needs in a new and complex environment, where sustainability of human capital is gaining ground which seeks to ensure employment quality, health and well-being of staff, work-family balance, diversity, remote work culture, etc.,

The action lines followed by the Department of People are explained in detail in the relevant section of the Annual Report and in the Statement on Non-financial Information. The work system implemented within the organization encourages the transfer of knowledge and the involvement of all employees with the Company's culture and operations. Career development, training and compensation policies seek to encourage development of all teams, give career development opportunities to the more talented people

and retain key employees. Additionally, the Group carries out selection and recruitment processes to ensure the continuous arrival of talent at all areas of the Company. With such proceedings and the continuous improvement of Group policies relating to people, risk arising from concentration of knowledge in key people is reduced.

On the other hand, a growing demand has arisen lately within the labour market, concerning companies' corporate social responsibility, which has become a key factor upon selecting a company for the job of choice.

In this regard, the Group has implemented a number of initiatives around different focal points of action. The Diversity and Inclusion Policy applies globally to the Company. The Inditex Group has implemented equality plans that include measures to promote commitment to and effective implementation of the principle of equal opportunities between women and men, contributing to reduce inequality and imbalance, preventing discrimination at work, ensuring a healthy work environment and providing actions to promote work-family balance.

Volunteering in community service projects is also encouraged so that employees may work on their social concerns wherever the Company operates. A number of programmes and projects have been implemented in this field offering employees different extents of collaboration.

Included in the social risks group are also those which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large. They stem from a potentially inappropriate management of the issues regarding corporate ethics, social and environmental sustainability, responsibility on account of health and safety of products, the corporate image of the Group, including in social media, as well as any other potential regulatory noncompliance or noncompliance with best practices which might have an impact on the reputation of the Organization.

In such sizable and visible organizations as the Group, certain conflicts might arise out of an inappropriate relationship with third parties alien to its operations (e.g., CNVM, the media, investors, financial analysts, public authorities, etc.). A number of departments, including the Communication and Corporate Affairs Division are responsible for monitoring the image of the Group in all environments, including social media. Through the Communication and Corporate Affairs Division and the Sustainability Department, the Group sets out the procedures and protocols required to mitigate this risk. Likewise, given their relevance, the General Counsel's Office-Office of the Chief Compliance Officer, and the Capital Markets Department are charged with managing specifically the relations with CNMV, the relations with

investors and financial analysts being incumbent on the latter.

The risk represented by contagious diseases is also covered in this group. It relates to a potential disruption resulting from a pandemic, whether, local regional or global, originating in contagious diseases with little or zero pre-existing immunity in humans. The impact and mitigating measures relating to covid-19 are addressed in detail in the section on materialized risks below.

6. Governance Risks

This group encompasses risks of different nature, such as risks of non-compliance by the Company and in particular the board of directors and the senior management, with (i) statute, from both a formal and material perspective; (ii) good governance recommendations; (iii) best practices; as well as with (iv) corporate commitments willingly made by Inditex, and additionally, risks arising from tactical and strategic decisions made by the Group's management which may result in non-achievement of the business objectives of the functional areas or of the Group itself, as well as in corruption risks, or which harm the reputation of the company.

Included in this group are risks relating to tax, customs, employment, trade and consumption, industrial and intellectual property, data protection and privacy regulations, as well as the risks associated with remaining laws, namely regulatory risks of a criminal nature (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), whether or not they determine criminal liability of the natural person, as well as other risks of regulatory noncompliance.

The General Counsel's Office – Office of the Chief Compliance Officer (**GCO-OCCO**) is responsible for managing the Model of Compliance of the Company. In particular, GCO-OCCO undertakes a triple function consisting of organization, coordination and reporting duties.

Organization duties means that the GCO-OCCO oversees the process of preparing the Company's internal regulations (Policies, Procedures and Instructions) and approves them, where appropriate.

The GCO-OCCO is also charged with coordinating Compliance functions assigned to other departments or areas responsible for compliance risk, through a periodic reporting system.

In order to mitigate exposure to compliance risks in a broad sense and in particular to criminal risks – including the risk relating to a potential commission of criminal

offences relating to corruption, fraud and bribery – the Group relies on a structure of high level basic regulations and a number of organizational documents which constitute the main pillars of the Company's cross-cutting Compliance system: the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group. A full description of both of them is provided in section F-1.2 below.

The General Counsel's Office – Office of the Chief Compliance Officer, charged with managing the essential duties of the Compliance Function, reports to the Audit and Compliance Committee, at least twice a year, on the monitoring of the system, and on the main Compliance matters reported by the areas and departments of the Group. Monitoring is carried out based upon a questionnaires system.

To prevent criminal offences, Inditex relies on an organizational and management model known as the Model of Criminal Risk Prevention, made up of 3 documents: the Policy on Criminal Risk Prevention, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls (the "Model of Criminal Risk Prevention"). The Policy associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent, and the Procedure covers the organizational measures to prevent commission of offences. Criminal risks identified and controls set to prevent the commission of offences are listed in the Scoping Matrix.

Inditex Model of Criminal Risk Prevention, approved by the board of directors in 2016, is subject to an ongoing evaluation and improvement process. In particular, the Scoping Matrix of Criminal Risks and Controls is permanently updated by; (i) regularly reviewing potential risks inherent to the processes of the different proceedings carried out, taking into account the latest regulatory developments, the approval and/or amendment of internal regulations and the changes in the Company's organization; and (ii) monitoring controls implemented, taking into account risk prioritization determined in the risk map.

Within the scope of such Model of Criminal Risk Prevention, a number of internal regulations have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein Inditex operates, the most relevant of which are:

- The Policy on Donations and Sponsorships.
- The Policy on Gifts and Business Courtesies.
- The Policy on Dealings with Public Servants.

- The Conflicts of Interest Policy
- The Anti-Money Laundering and Terrorist Financing Policy
- The *Due Diligence* Policy
- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorized Markets

The Committee of Ethics that reports to the board of directors through the Audit and Compliance Committee, is responsible for overseeing compliance with the Model of Criminal Risk Prevention and the effectiveness and appropriate implementation of the controls therein set - the GCO-OCCO being responsible for the material performance thereof -, and with ensuring that such Model meets the prevailing legal requirements from time to time in force.

The Committee of Ethics as the decision-making body, and the GCO-OCCO as operational body, make up the Compliance Function.

To duly oversee the Model, the Committee of Ethics submits to the Audit and Compliance Committee at least twice a year a report reviewing the findings of the supervision of the Model of Criminal Risk Prevention. In turn, such board committee reports on this issue to the board of directors on a quarterly basis and whenever the board requests so.

The Company relies on a whistle blowing channel, known as the "Ethics Line", which is described in section F.1.2 below.

Protection of personal data of its customers and employees is a top priority at Inditex, including privacy from design and by default in its processes.

To ensure such protection, Inditex has in place a compliance model in the field of data protection and privacy, helmed by the Data Protection and Privacy Department, overseen by the Group's global Data Protection Officer (DPO). At the core of such model is the Compliance Policy regarding Personal Data Protection and Privacy, approved by the board of directors. The Policy covers the principles and commitments championed by the company to ensure observance of applicable regulations on data protection and privacy in every jurisdiction where it conducts business, and respect for the rights of all concerned parties (customers, users, employees, etc.,)

The Group has implemented a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through social audits and pre-assessment audits, based on the review carried out by qualified social auditors of the facilities where the fashion items that the Group retails are manufactured, for the purposes of

minimizing any potential risk to the Group's reputation on account of improper conducts of third parties. Such specific programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers and suppliers must comply with. Such Compliance Programme is supplemented by the "2019-2022 Workers at the Centre" strategy that focuses on workers within the supply chain and their well-being, and through partnerships with different stakeholders, including without limitation, the Global Framework Agreement executed with IndustriALL Global Union, or alliances with the International Labour Organization (ILO). Additional information on this and other programmes is available in the Annual Report and on the corporate website.

To reduce the risks associated with finished product, ensuring that they do not entail any hazard for the health and safety of customers, the Group carries out controls and verifications in respect of its health and safety of the products standards ("*Safe to Wear*" and "*Clear to Wear*"). Enforcement of such standards is mandatory across the supply chain for all the products sold.

The General Counsel's Office – Office of the Chief Compliance Officer is responsible for overseeing and managing the Compliance System of the Inditex Group, in order to prevent any regulatory risk (including criminal ones, in particular those relating to corruption) and reputational risks, arising from a potential regulatory noncompliance, and to respect the highest ethical standards and follow-up on best corporate practices.

In order to downplay this type of risks, the alignment of the Company's corporate governance system (comprising the Articles of Association, the Board of Directors' Regulations, the Regulations of the General Meeting of Shareholders, the Audit and Compliance Committee's Regulations, the Nomination Committee's Regulations, the Remuneration Committee's Regulations, the Sustainability Committee's Regulations, the Internal Regulations of Conduct in the Securities Markets, the corporate enterprise risk management policies, and the internal conduct regulations of the Group) with the applicable regulations regarding Corporate Governance from time to time in force (including, without limitation, the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct, among others), must be ensured.

For such purposes, the Audit and Compliance Committee conducts an annual review of the company's corporate governance system to establish the extent of compliance therewith and its alignment with regulatory developments, and existing recommendations, standards and best practices in the field, and systematically shore up good corporate governance practices across the company's governing bodies.

Additionally, the performance of the board of directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board (non-member), is subject to an annual self-evaluation process, led by the Nomination Committee.

Inditex relies on the Internal Regulations of Conduct (IRC) that sets out the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use of inside information, and other relevant information of the Company.

The Compliance Supervisory Board and the Chief Compliance Officer, who reports to the Audit and Compliance Committee every six months, are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act of its own motion or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relation and with a lawful business or professional interest, by submitting a report in good faith.

Meanwhile, the Audit and Compliance Committee regularly reviews whether potential conflicts of interest or related-party transactions detrimental to the interests of the Company and/or the shareholders exist, in accordance with a regulated review and assessment procedure, subject to approval by the board of directors. In the performance of this function, the Committee is supported by the General Counsel's Office – Office of the Chief Compliance Officer that feeds on the information regularly provided by board members and senior managers through specific questionnaires.

In short: risk is reduced ensuring the appropriate proceedings of governing and managing bodies and improving internal control, transparency and corporate responsibility within the Company, thus building up trust among shareholders and investors.

With regard to supervision, the board of directors and the Audit and Compliance Committee are the main governing bodies responsible for monitoring risks.

1.- Board of Directors

The Board of Directors is responsible for identifying the main risks for the Group and organising the appropriate internal control and information systems.

2.- Audit and Compliance Committee

The duties of the Audit and Compliance Committee include assisting the board of directors in its oversight and monitoring duties, by reviewing the internal control systems. The powers of the Audit and Compliance Committee are set forth in the Articles of Association, the Board of Directors' Regulations, and its own terms of reference.

Pursuant to the Audit and Compliance Committee's Regulations, the duties of such committee, exclusively comprised of non-executive directors, include without limitation: overseeing the effectiveness of the internal control system of the Company, the internal audit and the risk management systems covering both financial and non-financial risks, including tax risks and risks associated with corruption, and to review with the statutory auditor the significant weaknesses of the internal control system revealed, as the case may be, during the audit, and to oversee the process for preparing and releasing the regulated financial and non-financial information.

It is further responsible for overseeing the Internal Audit Department ensuring its independence and effectiveness. To this end, the Committee is charged with: (i) evaluating the proceedings of the Internal Audit function and the performance of the Chief Audit Officer; (ii) ensuring that the function relies on the appropriate material and human resources, whether internal or external, to discharge its duties; and, (iii) approving the Internal Audit Plan and the annual activities report of the Internal Audit function - regularly receiving information on the proceedings carried out by Internal Audit - ensuring that its activity is mainly focused on the risks which are relevant for the Company and its Group.

In the current organizational structure, the Internal Audit Department is directly linked to the board of directors, to which it reports functionally, through the Chair of the Audit and Compliance Committee, thus ensuring the full independence of its proceedings.

The mission of the Internal Audit function, defined in the Group's Internal Audit Charter, is to contribute to the good running of the Group by assuring an independent and effective supervision of the internal control system, and issuing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hamper the achievement of the objectives of the Organization.

Likewise, according to such Charter, the objectives of the Internal Audit function include, without limitation: issuing the recommendations it may deem appropriate to improve the governance process; evaluating the effectiveness of the risks management processes and contributing to the improvement thereof; ensuring the good running of the information and internal control systems, and ensuring the uniform and effective enforcement of the policies and procedures which make up the internal control system.

In addition, certain areas or departments are responsible for monitoring that the internal control system is suitable, including: the Compliance Function that reports to the General Counsel's Office – Office of the Chief Compliance Officer. The Compliance Function oversees the Model of Criminal Risk Prevention and the Anti-Corruption Model; the Internal Control ICFR/ICNFR area, reporting to the Financial Division oversees internal control over the integrity of financial reporting (ICFR) as well as the internal control over the Statement on Non-Financial Information (ICNFR); the Information Security area oversees internal control over cybersecurity risks; the Data Protection and Privacy area is responsible for managing internal control systems over personal data; and, the tax area oversees the management system of tax risks.

Risks materialized in the year

Performance in the year has been clearly impacted by covid-19 pandemic. The global health crisis has become a systemic event with many implications on the operations of the Group. The disease spread across all geographies at different pace and with varying degrees of severity. To respond to the pandemic, competent authorities took different sets of measures aimed at restricting people mobility, even ordering home lockdowns and total or partial interruption of non-essential services.

During the pandemic peak in March and April 2020, up to 98% of the Group stores were either closed or subject to a number of restrictions affecting opening hours and/or store capacity. On occasions, such restrictions also affected the remaining services necessities for the Group to operate normally.

From the moment Inditex became aware of the health crisis, it set in place an information system to gain better understanding of all guidelines and recommendations issued by the relevant public authorities and institutions to ensure not only compliance with applicable regulations, but also leveraging best practices being implemented in different geographies. The Group's first and foremost concern has been to ensure the health and well-being of its employees, customers and of anyone who directly or indirectly renders services or supplies goods required for the smooth operation of its business, taking at all times appropriate preventive and, as the case may be, mitigating measures.

At the time of this report, strict mobility restrictions continue in place in a number of territories where the Group is present. In particular, restrictions on work attendance affect many headquarters and peripheral offices. Remote work protocols and technical resources have permitted the normal operation of the Group's management and administration infrastructures in all geographies. Mechanisms designed to ensure that the necessary resources to permit continuity of operations in

this new environment are in place, have been reinforced. Likewise, measures to protect IT systems have been enhanced.

Our integrated sales model has allowed us to continue meeting our customers' demand in all markets, even at the time when the highest mobility restriction measures were in place. Online sales have performed strongly, setting-off the impact on the physical distribution channel.

Our value chain has also been impacted by the pandemic. Sporadic disruption in production has taken place in certain procurement markets, which has translated in late deliveries of orders. Our flexible business model has served to mitigate the impact of such disruptions, leveraging the diversity of proximity origins and long cycle, and of the foresight of estimated demand to nimbly adapt purchase of goods. The pandemic has also affected the carriage of supply and distribution network. The decline in the demand of passenger transport has resulted in scarcity of routes and/or high price of freights. The Group has searched for versatile transport alternatives, in line with the unexpected circumstances to ensure the continuity of its model of goods carriage.

The pandemic has also affected market risks, giving rise to scenarios of high volatility of some of the currencies with which the Group operates and, occasionally of devaluation. The foreign exchange risk is mainly associated with the US dollar, the Russian ruble, the Chinese renminbi, the Mexican peso, the Sterling pound and the Japanese yen. The depreciation of non-euro currencies in 2020 has had a negative impact on the sales growth rate of the Company and a slightly negative impact on sales cost. Foreign exchange risk has continued to be actively managed pursuant to the Group's guidelines, based upon centralized management, optimizing currency exposure, maximizing the diversification of the risks portfolio and ongoing risk monitoring. Although the Group's liquidity position is strong, measures have been tightened to secure and safeguard the company's liquidity. Expenses have been systematically and tightly managed, and external financing sources have been increased, by extending credit lines, most of them committed, up to 8,029 million euro.

The global health crisis has also affected the proceedings of our governing bodies, as physical meetings have been limited; this issue has been resolved using technological tools that allow constant communication. Directors have been regularly updated on the evolution of the macroeconomic and social environment resulting from the global health crisis and its impact on the operations of the Group as well as on the main risk indicators and the various contingency plans and measures implemented by the Company to minimize the negative impact.

In view of the exceptional environment, dialogue, coordination and interaction between executive directors,

senior managers and the heads of all business units have been reinforced across all geographies to ensure an appropriate monitoring and information flow thus allowing a nimble and appropriate decision-making, in particular with regard to the Group's critical areas or areas exposed to higher risk.

On account of mobility restrictions in place in certain parts of Spain, the Annual General Meeting was held for the first time ever with both physical and remote attendance and participation of shareholders. All the necessary preventive measures to preserve the health of the people involved in arranging it and of the shareholders who chose to attend in person were duly implemented.

The end of the Brexit transition period has given rise to new operations and business requirements. Despite the fact that these circumstances are common and well-known in many markets where the Group operates, they are new to the British market. The Group has been working on an action plan since the date the Brexit referendum took place, for the purposes of reviewing, assessing, designing and implementing mitigation strategies to minimize the potential impact of Brexit on the Group's business in general and on the British market in particular. The Group has adopted the relevant measures to mitigate Brexit impact on its operations, in particular with regard to the supply chain, distribution and employment-related issues. Relevant administrative and accounting procedures have been adapted and set to ensure compliance with the new regulations, including indirect taxation and customs duties. Additionally, certain supply, carriage and distribution flows between the EU and the UK territories have been redesigned.



Internal Control System (ICFR)

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A. Describe the mechanisms forming your company's Internal Control System over Financial Reporting (ICFR)

A.1. The entity's control environment

Give information on the key features of at least:

A.1.1. The bodies and/or functions that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision

Board of Directors

Except for such matters exclusively within the purview of the shareholders at the General Meeting of Shareholders, the board of directors is the supreme decision-making, supervisory and monitoring body of the Group, being ultimately responsible for the existence and update of an appropriate and effective ICFR, as provided in the Policy on Internal Control System over Financial Reporting (the "ICFR Policy"), approved by the board of directors.

The board of directors is entrusted with the duties of leadership, management and representation of the Group, delegating as a general rule the management of the day-to-day business of the Company to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding the policy of the Group, monitoring the management activity, evaluating officers' performance, making the most relevant decisions for the Group and liaising with the shareholders.

Audit and Compliance Committee

Pursuant to the provisions of the Articles of Association, the Board of Director's Regulations and the Audit and Compliance Committee's Regulations, and as part of its financial and monitoring duties, the committee shall oversee the process for preparing and releasing the regulated financial information, as well as the effectiveness of the Internal Control System over Financial Reporting, as provided in the ICFR Policy.

In this regard, the Committee carries out the following duties, without limitation:

- To oversee the effectiveness of the internal control system of the Group, the internal audit, and the risk management systems, including tax risks, as well as reviewing with the statutory auditor the significant weaknesses of the internal control system revealed, as the case may be, during the audit.
- With regard to the powers relating to the process of preparing the regulated financial information:
 - To oversee and evaluate the process of preparation and presentation as well as the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the statutory auditor, with the scope and frequency that may be defined, as the case may be.
 - To review compliance with statutory requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable;
 - To keep a fluent communication with the Company's Management to understand its decisions regarding the application of the most significant criteria; with the Internal Audit Function to be apprised of the findings of the reviews carried out; and with the external auditor or verifier, to obtain their opinion regarding financial information;
 - To be familiar with, understand, oversee and evaluate the effectiveness of the internal control over financial and non-financial information system and receive information on a regular basis from the supervisor thereof;
 - To submit recommendations or motions to the board of directors for the purposes of safeguarding the integrity of the financial information;

- To assess and advise the board of directors on any significant changes in accounting standards and on the significant risks on the balance sheet and off-balance sheet;
- With regard to enterprise risk management:
 - To oversee the enterprise risk management function and establish that it operates pursuant to the provisions of the policy approved by the Board.
 - To receive on a regular basis reports from the Management or from the supervising areas, on the proceedings of risk management systems established, as well as on the results of the tests carried out by internal auditors relating to the same, and on any significant internal control weakness detected by external auditors.
 - To evaluate the effectiveness of internal control and management systems relating to financial risks, as well as of the measures established to mitigate the impact of identified risks.
 - To promote a corporate culture within the Company wherein risk assessment is a factor upon decision-making, at all levels of the Company and its Group.
 - To identify and re-assess, at least on an annual basis, the most significant financial risks and the level of risk tolerance.
 - To identify and understand emerging risks as well as their alert mechanisms, and regularly evaluate their effectiveness.
 - To ensure that risks are kept and managed within the levels of risk tolerance set by the board of directors.
 - To ensure that the internal control policies and systems established by the company are effectively applied in practice.
 - To meet with the heads of business units at least once a year, and whenever the committee deems it appropriate, for the purposes of reporting to the committee on trends of business and risks associated with the respective areas under their remit.
 - To submit recommendations or motions to the board of directors and the relevant deadline for follow-up.

Most members of the Audit and Compliance Committee are non-executive independent directors. The committee meets on a quarterly basis and whenever it is called by its Chair. In 2020, the Audit and Compliance Committee has met 4 times.

Financial Department

The Financial Department is responsible for the design, roll-out and implementation of the ICFR system, as provided in the ICFR Policy, keeping the system updated, monitoring its design and proceedings to ensure that it is effective and appropriate, communicating and training the parties involved and keeping a periodic report.

The Financial Department drafts and circulates the policies, guidelines and procedures, associated with financial reporting and is charged with ensuring the appropriate enforcement thereof within the Group.

Internal Audit

The Internal Audit function supports the board of directors, through the Audit and Compliance Committee, with regard to the oversight duty relating to risk exposure, ensuring that appropriate and effective controls are set as an answer to risks in the field of governance, operations and information systems, regarding, inter alia, reliability and integrity of financial information and in particular, the Internal Control System over Financial Reporting (ICFR). To achieve this, Internal Audit carries out specific periodic ICFR audits, requests action plans to correct or reduce any weaknesses revealed and follows up on the implementation of the proposed recommendations.

The Internal Audit Charter, approved by the board of directors, covers the mission, authority and responsibilities of the Internal Audit function pursuant to both domestic and international regulations and standards for the professional practice of internal auditing.

Likewise, Internal Audit has been awarded the certificate of compliance with the "*International Standards for the Professional Practice of Internal Auditing*" by the Instituto de Auditores Internos, a member of the IIA (Institute of Internal Auditors).

A.1.2. Indicate whether the following exist, especially in relation to the drawing up of financial information

Departments and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination within the entity.

The board of directors is responsible for the design and review of the organizational structure and the lines of responsibility within the Group. The departments charged with drawing up the financial information are found within such structure.

Senior Managers and the Human Resources Department define the duties and responsibilities of each area.

The Group has clearly defined lines of authority and responsibility regarding the process to draw up financial information. The main responsibility regarding financial reporting lies with the Financial Department.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the Financial Department and disclosed by the Human Resources Department.

The Financial Department is organized in the following departments: Administration, Planning and Management Control, Treasury, Risk Management, Tax, and Processes and Projects.

With regard to ICFR, a specific management area was set up within the Financial Department, to which it reports, (the "ICFR Area").

The Group relies on financial organizational structures that meet local requirements in each country where it operates, under the helm of a Chief Financial Officer who is charged, inter alia, with complying with the procedures set out within the ICFR System.

Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analyzing breaches and proposing corrective actions and sanctions.

The board of directors approved in the meeting held on 17 July 2012, following a favourable report of the Audit and Compliance Committee, the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group.

Likewise, on 19 September 2017 the Board of Directors approved, following a favourable report of the Audit and Compliance Committee, the so called Integrity Policies of the Inditex Group.

The main internal conduct regulations of the Group are provided in:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Integrity Policies, which are: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships, and; (iii) the Policy on Dealings with Public Servants.
- The Conflicts of Interest Policy.
- The Internal Regulations of Conduct in the Securities Markets (IRC).

Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group employees upon doing their job.

Its goal consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of business anywhere in the world, as a gist of its corporate culture built up on training and personal and professional career development for its employees. For such purposes, the principles and values which shall govern the relations between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined therein.

The Code of Conduct and Responsible Practices is based upon a number of overarching principles, inter alia, that according to which the Inditex Group shall carry out all its transactions under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards of conduct covered in the Code of Conduct and Responsible Practices is the "Obligation to Record Transactions", addressed in section 4.13 thereof, according to which:

"Any and all transactions carried out by the Company which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.

Inditex's employees shall enter the financial information on the company's systems in a full, clear and accurate manner,

so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.

Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system.

Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information."

Policy on Criminal Risk Prevention

The Policy on Criminal Risk Prevention associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent.

Similarly to the provisions of the Code of Conduct and Responsible Practices, section 2.9 of the Policy reads as follows: "(...) any transaction of economic weight carried out by the Company shall be clearly and accurately recorded in appropriate accounting records that show the true and fair image of the transactions carried out. Such records must be made available to internal and external auditors.

Inditex's employees shall enter the full financial information into the Company's systems in a clear and accurate manner so that they will show, as at the relevant date, its rights and obligations in accordance with the applicable regulations. Likewise, they shall ensure that the financial information that must be disclosed to the market under the prevailing regulations in force, is accurate and full.

Inditex is committed to implementing and keeping an appropriate internal control system in respect of financial reporting, ensuring that the effectiveness of such information is regularly monitored. For such purposes, required training will be offered so that employees may be apprised of and understand the company's commitments in the field of internal control on financial information."

As stated in section E.6. above, the Policy, together with the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls, comprise the Model of Criminal Risk Prevention of the Inditex Group. The Committee of Ethics is the governing body responsible for overseeing compliance with such Model and the effective and appropriate implementation of the controls therein set.

IRC

Compliance with the IRC is mandatory for all the persons included in its scope of application and any noncompliance may be reported in a confidential manner to the Committee of Ethics, pursuant to the provisions of the Ethics Line Procedure.

In this regard, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be, on account of civil, criminal and/or administrative liability, and to the obligation to compensate any damages incurred, where appropriate.

Finally, there is a Compliance Supervisory Board (the "CSB") which reports directly to the Audit and Compliance Committee, composed of:

- The Executive Chairman.
- The General Counsel and Secretary of the Board.
- The Chief Financial Officer.
- The Capital Markets Director, and.
- The Chief Human Resources Officer.

CSB is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, the Office of the Chief Compliance Officer (the "OCCO") reports to the CSB. The General Counsel of the Inditex Group is the Chief Compliance Officer. The OCCO is charged, inter alia, with enforcing the conduct regulations of stock exchanges and the rules and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The IRC sets out the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use and dissemination of inside information and other relevant information of the Company.

The proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be inside information and/or other relevant information, and namely financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the CSB and the OCCO shall ensure that the above referred principles are observed.

With regard to the IRC, the OCCO keeps a General Documentary Register of Affected Persons. The OCCO informs Affected Persons that they are subject to the provisions of the IRC and reports any breaches and penalties which may result, as the case may be, from an inappropriate use of reserved information.

Likewise, the OCCO informs the Affected Persons that they have been included in the General Documentary Register.

Compliance with the Codes of Conduct of the Inditex Group and, in general, with its internal regulations of conduct is ensured through the Committee of Ethics, composed of:

- The General Counsel and Chief Compliance Officer, who chairs it.
- The Chief Audit Officer.
- The Chief Sustainability Officer.
- The Chief Human Resources Officer.

The Committee of Ethics may act of its own motion or at the behest of any employee, manufacturer or supplier of Inditex, or any third party involved in a direct relation and with a lawful business or professional interest, further to a report made in good faith.

The Committee of Ethics reports to the board of directors through the Audit and Compliance Committee and has the following basic responsibilities:

- To oversee compliance with the Code and the internal circulation thereof to the Group's s personnel.
- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or department which may be responsible for processing and issuing a resolution regarding such instrument.
- To oversee the ethics line (formerly known as the "Whistle Blowing Channel") and compliance with the Ethics Line Procedure.
- To monitor and oversee proceedings and their settlement.
- To solve any doubts which may arise regarding the enforcement of the Code.
- To propose to the board of directors, following a report of the Audit and Compliance Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.

- To promote training plans for employees on internal conduct regulations and the proceedings of the ethics line.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by a court order.

To ensure that the Ethics Line is properly run, and that the privacy of the parties concerned is protected, the Committee of Ethics may address ex-officio anonymous concerns.

- The thorough review of any information or document that triggered its action.
- The commencement of proceedings that adjust to the circumstances of the case, where it shall always act with independence, fully respecting the right of the parties to be heard, to honour and to the presumption of innocence.
- Prohibition of retaliation and indemnity of anyone who reports through the Ethics Line in good faith.

Further to the launching of appropriate proceedings, the Committee of Ethics will take, as the case may be, the relevant prevention, remediation and/or disciplinary measures, including referring the matter to the relevant department which will be charged with taking, and at any rate applying, the remediation measures which may be necessary. Such remediation measures shall be reported to the Committee of Ethics.

Decisions of the Committee of Ethics are binding for the Inditex Group and its employees.

The Committee of Ethics submits a report to the Audit and Compliance Committee at least every six months, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Compliance Committee apprises the board of directors, on an annual basis as well as whenever this latter so requires, of the enforcement of the Code of Conduct and Responsible Practices and the additional documents which comprise the Model of Compliance with internal regulations, from time to time in force.

With regard to the dissemination of the above referred conduct regulations, the Human Resources Department is responsible for circulating a copy of the Code of Conduct and Responsible Practices to any new employee when they join the organization.

Likewise, conduct regulations as amended are available on the corporate website (www.inditex.com), under the Compliance tab, and on INET; they are subject to the appropriate measures regarding disclosure, circulation, training and awareness-raising, so that they may be understood and implemented within the whole organization.

Whistleblowing channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organization, indicating whether this channel is confidential and whether anonymous notifications can be made, protecting the rights of the whistleblower and the person reported

An Ethics Line is available to all employees of the Group, manufacturers, suppliers or third parties with a direct relation and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report, even anonymously and within the remit of the Committee of Ethics, any breach of the Group's internal conduct regulations by employees, manufacturers, suppliers or third parties engaged in an employment, business or direct professional relations with the Group, which affect Inditex or its Group.

Therefore, any breach and/or any manner of malpractice, including those of a financial and accounting nature, may be reported.

The Committee of Ethics is responsible for overseeing the Ethics Line and compliance with the Ethics Line Procedure.

The proceedings of the Ethics Line are described in the Ethics Line Procedure approved by the board of directors on 17 July 2012 and amended on 10 December 2019. Such Procedure clarifies and reinforces guarantees and protective measures for all parties in the process: (i) maximum confidentiality; (ii) non-retaliation; (iii) presumption of innocence and respect for the right to honour of reported parties; (iv) the right of the parties to be heard, and; (v) appropriate use of personal data processed.

Full information on the Committee of Ethics and the Ethics Line is available on the intranet and on the corporate website (www.inditex.com), under the "Compliance" tab, where a direct link to such Line is available.

Reports of noncompliance and/or queries regarding the construction or enforcement of internal conduct regulations may be sent to the Company either by post - for the attention of the Committee of Ethics to the following postal address: Avenida de la Diputación, Edificio INDITEX, 15142 Arteixo, A Coruña (Spain) - or by e-mail - (ethicsline@inditex.com) .The confidentiality of such reports or queries is ensured.

Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management

The Group's Training and Career Development Area, reporting to the HR Department, is charged with preparing, together with each of the areas reporting to the Financial Department, training and refresher courses addressed to staff responsible for drawing up and overseeing the financial information of each company within the Group. Such schemes include, both general courses, focusing on business expertise and knowledge of the different interrelated departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of regulatory developments on financial reporting and supervision of financial information.

General Induction

Aimed at gaining internal knowledge of each business unit, as well as of each department and the respective activities, functions and duties within the business. Under this scheme, employees begin by working at the stores, getting directly acquainted with the whole process of running a store. Then, they spend time at different corporate departments at headquarters and their training is completed at any of the markets where the Group operates.

Specific training

Group employees responsible for the processes associated with the drawing up of financial information regularly take training and refresher courses that seek to acquaint them with local and international regulations on financial reporting, as well as with existing regulations and best practices in the area of internal control. An e-learning platform is available to employees, to train them on issues regarding financial reporting or information security.

Within the financial environment, training and refresher schemes are arranged by the Human Resources Department liaising with each of the areas of the Financial Department.

Training courses are provided on an annual basis for all new heads of financial areas in each country, in order to get them acquainted with the Inditex Group's management model, as well as with the internal control system over financial reporting implemented by the Group.

Additionally, courses are taught by internal staff on the operation of financial software tools used to draw up the financial information.

Among the specialized training run to employees of the different units and areas of the Financial Department in the year, the following bear mention:

- Internal Control System over Financial Reporting.
- Significant aspects of the risk management system.
- New risks resulting from covid-19.
- Update on international accounting standards (IFRS).
- Cybersecurity.

Additionally, training schemes on local accounting regulations are in place in the different markets.

A.2. Financial reporting risk assessment

Report on at least the following:

A.2.1. The main characteristics of the risk identification process, including risks of error and fraud, as regards:

Whether the process exists and is documented.

The risk identification process has been documented in the Procedure for Enterprise Risk Management regarding Financial Reporting. This Procedure seeks to describe the mechanisms for identifying and assessing, on an annual basis, the risks which might lead to material errors in financial reporting.

Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

The above referred risks management process consists of five stages:

- Gathering financial information.
- Identifying the operation cycles with an impact on financial information.
- Assessment of risks by the reporting unit of financial statements.
- Prioritizing accounts criticality.
- Checking risks versus operational cycles.

As a result of such process, a scoping matrix of risks regarding financial information (ICFR Scoping Matrix) is updated on an annual basis. This Scoping Matrix allows identifying the material headings of the financial statements, the assertions or goals of financial information in respect of which any risks may exist, and the prioritization of operational processes which have an impact on financial information.

Assessment covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) release and breakdown; and (v) rights and obligations.

Following the identification of potential risks, they are assessed on an annual basis based upon the management's information and understanding of the business and upon materiality criteria.

Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as turnover, size of assets and pre-tax profit; and, (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.

The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such Master is at the basis of the consolidation perimeter and is managed and updated in accordance with the Procedure for Incorporating and Financing of Companies.

The Master covers, on the one hand, general corporate information, such as company name, accounting closing date and currency, and on the other, legal details such as the date of incorporation, share capital, list of shareholders, equity interest, and other relevant information. The Legal Department is responsible for updating the Master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department, determines on a monthly basis the number of companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter.

Whether the process takes into account the effects of other types of risk (financial, geopolitical, technological, environmental, social and governance) to the extent that they affect the financial statements.

In addition to the above referred quantitative and qualitative factors, the main risks identified through the Risks Map of the Inditex Group are considered in the process for the assessment of financial information risks.

Potential risks identified through the ICFR Scoping Matrix are taken into account upon preparing the Risks Map of the Group, which is updated on an annual basis by the Enterprise Risks Management Department (reporting to the Financial Department) with the assistance of all areas of the Organization involved in the process. The Group may thus consider the impact that the remaining risks classified in the following groups: financial, geopolitical, technological, environmental, social and governance risks, may have on financial statements.

The governing body within the company that oversees the process.

The whole process is overseen and approved on an annual basis by the Audit and Compliance Committee.

A.3. Control activities

Report on whether the company has at least the following, describing their main characteristics:

A.3.1. Review and authorization procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

Pursuant to the Board of Directors' Regulations, the Audit and Compliance Committee is responsible, inter alia, for reviewing the annual accounts and the periodic information that the board of directors must submit to the markets and their supervisory bodies, verifying at all times compliance with statutory requirements and the appropriate use of generally accepted accounting principles upon drawing up such information.

Likewise, pursuant to the above referred Regulations the Audit and Compliance Committee shall meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the board of directors must approve and release as its annual public documentation.

Furthermore, the ICFR Area monitors that the ICFR is effective and appraises the Financial Department and,

where appropriate, the Audit and Compliance Committee, of the findings of such monitoring.

The Group relies on mechanisms to review financial information. Each organizational structure is responsible for reviewing the financial information reported. Analytical reviews of the financial information reported by such structures are carried out at corporate level. Prior to stating the annual accounts and approving the half-yearly financial statements, the Financial Department and the external auditor meet, for the purposes of reviewing and assessing the financial information.

The Audit and Compliance Committee submits this information to the board of directors which is ultimately responsible for approving it before releasing it to the market.

The Group keeps its main business processes with ICFR scope duly documented. Each process is structured in a number of sub-processes, with their relevant flowcharts, that include the proceedings that play a direct or indirect role on financial reporting.

Such processes describe the controls which allow giving an appropriate response to risks associated with the achievement of the objectives relating to reliability and integrity of the financial information, identifying the risks which may result in accounting fraud, so as to prevent, detect, reduce and correct the risk of any potential error way in advance. Each ICFR process has its scoping matrix of risks and controls associated, and they are separated between processes carried out at local level and at corporate level for the entire Group. Design of flowcharts, description of the different processes and sub-processes and identification of risks and controls is carried out with ARIS.

This software application allows keeping the entire documentation relating to the Group's ICFR processes within a single environment, which results in streamlined processes, as flowcharts, narratives and scoping matrices of risk and control are integrated. All members of the Group involved in ICFR have access to ARIS to view the different processes.

The ICFR system monitoring model is implemented based upon *SAP GRC Process Control tool*, wherein each control activity is assigned to a supervisor, who carries them out with the defined frequency.

Each process is assigned to a process owner, who assesses on a quarterly basis the effectiveness of controls, and defines and keeps updated the ICFR process for which they are responsible.

The ICFR Area monitors on a quarterly basis the assessments made by processes owners about the effectiveness of controls. It also coordinates and encourages the periodic review of controls design.

In addition, the ICFR Area is subject every year to an internal certification process whereby financial heads of the markets within the scope of ICFR monitoring, process owners and corporate directors of areas who take part in the process of preparation and monitoring of financial information certify that they have implemented the controls for which they are responsible.

SAP GRC Process Control is implemented with regard to all the processes within the ICFR scope, including those carried out by areas outside the financial area.

With regard to the consolidation, closing and reporting process, the Financial Department issues the instructions together with the calendar and contents of the financial information to be reported by each of the local financial structures to draw up the consolidated financial statements.

Risks are identified in the ICFR's consolidation, closing and reporting process, and controls matrix which includes controls relating to relevant opinions, estimates, assessments and projections.

A.3.2. Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information

The internal control framework of the Group's information systems seeks to set up controls over the main business processes, which are closely related to Information Technologies ("IT").

Based upon the link between business processes and associated systems, basic risks are reviewed which allows the company to prioritize and focus on such IT environments which are deemed to be especially relevant.

A number of general controls on applications (IT General Controls or ITGCs) are identified within the Group's ICFR, including:

- Secure access to both applications and data.
- Control on changes in applications.
- Environment segregation.
- Appropriate operation of applications.
- Availability of data and continuity of applications.

The implementation of ITGCs on the applications identified within the ICFR scope is monitored on an annual basis by the ICFR area. As a general rule, the yardstick to identify applications within the ICFR scope is that they play a significant role in the preparation of the financial information and/or support at least a key operating control.

The findings of such monitoring are reported to the Financial Department through the quarterly reports assessing ICFR controls.

It bears mention that, in the process to design and implement applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of information systems in case of lack of availability.

In 2020, the Information Security Committee has held quarterly meetings. Such Committee is charged with ensuring the effective and consistent enforcement of best practices regarding information security management across the organization, reducing risks affecting security to the minimum, taking into account the company's business.

The Information Security Committee is composed of:

- The CEO
- The General Counsel and Secretary of the Board
- The Chief IT Officer
- The Chief Information Security Officer
- The Chief Financial Officer
- The Chief Audit Officer

The Information Security Policy sets forth the principles and guidelines whereby Inditex will protect its information, pursuant to applicable regulations and its ethical values defined in the Code of Conduct and Responsible Practices as well as the provisions of the Regulations of the Information Security Committee and of any other applicable internal regulations.

The overarching principles that inform the Policy are:

- (i) classification of information, in accordance with its value, relevance and criticality for the business;
- (ii) limited use of information systems to lawful and exclusively professional purposes;
- (iii) segregation of duties to avoid risks;
- (iv) setting retention periods by information category, where necessary or convenient;
- (v) setting monitoring procedures to control how information is made available to third parties;
- (vi) setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and
- (vii) alignment of Information Systems and communications of the Group with the requirements of applicable laws and regulations.

The Information Security Department performs its monitoring duties in an independent manner, and is responsible for implementing the Policy and monitoring compliance therewith, and with all requirements arising from applicable laws, regulations and best practices in the field of Information Security.

In 2020, as a result of the global pandemic caused by covid-19, special attention has been given to the remote work plans and the management of risks associated thereto.

In particular, the existing capacity of remote access channels and systems has been adapted, monitoring, protection and control measures regarding such remote connections have been reinforced, and specific awareness-raising actions have been addressed to our employees and collaborators.

A.3.3. Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements

In 2020, certain activities, mainly actuarial calculations, human resources-related services, valuation of derivatives, calculation of discount rates and certain processes of the Systems area, were outsourced to third parties. Included in the ICFR processes are controls on such calculations made by third parties, for the purposes of mitigating risks which may have an impact on financial information.

Outsourced services are commissioned by the supervisors of the relevant areas, ensuring the technical and legal qualifications, capacity and independence of the experts hired.

A.4. Information and communication

Report on whether the company has at least the following, describing their main characteristics:

A.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates

Within the Planning and Management Control Department, the External Reporting area is responsible for drawing up, disclosing, implementing and updating the Group's Manual on Accounting Policies. With regard to the Group's accounting policies, such area is responsible for, inter alia:

- Defining the accounting treatment of the transactions which make up the business of the Group.
- Defining and updating the accounting practices of the Group.
- Addressing doubts and queries arising from the construction of accounting standards.
- Standardizing the accounting practices of the Group.

The Manual covers the different transactions inherent in the Groups' business and their accounting treatment in accordance with the benchmark accounting framework of the Inditex Group.

The Manual is regularly updated. As part of such updating procedure, the External Reporting area includes all accounting changes identified which were advanced to those in charge of drawing up the financial statements.

The Manual is available on the Company's INET.

A.4.2. Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR

The process for consolidation and preparation of consolidated financial statements is centralized, being incumbent on the External Reporting area which reports to the Planning and Management Control Department.

Drawing up the consolidated financial information begins with the addition of individual financial statements of each company included in the consolidation perimeter, to be subsequently consolidated based upon the accounting regulations of the Group. The entire addition and consolidation process is supported by SAP BPC tool.

Financial information reported to CNMV is prepared based upon consolidated financial statements gathered through the above referred tool, and upon certain supplementary information reported by the markets, required to prepare the annual/half-yearly report. The entire process is supported by SAP Disclosure Management tool. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

The board of directors approved on 14 December 2020 the Policy on Disclosure of Economic-Financial, Non-Financial and Corporate Information that seeks to establish a framework for action and define the overarching principles that will govern the disclosure by the Company of Economic-Financial, Non-Financial and Corporate Information via Regulated and non-Regulated Channels.

Under such Policy, the board of directors, being the highest supervisory body responsible for overseeing economic-financial, non-financial and corporate information, shall ensure the largest circulation and the highest quality of the information provided to the stakeholders in accordance with a set of principles, including: transparency, objectivity, accuracy, immediacy and symmetry in disclosure of information.

A.5. Supervision of the system's operation

Give information on the key features of at least:

A.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered

With regard to the evaluation of ICFR and the procedure set to disclose its results, the ICFR area has monitored on a quarterly basis, via the owners of processes with an impact on the financial information, the implementation of controls, requesting and reviewing a sample of evidence from the supervisors of each control.

As a result of such monitoring, improvement areas of each control have been identified and they have been assigned an action plan to remedy them. Follow up has ensued, to ensure they have been complied with.

Likewise, the ICFR area has issued on a quarterly basis a report with the findings of each control, the main action lines followed in the quarter and the incidences identified. Moreover, in 2020 an additional follow-up report was issued on the evaluation of specific controls implemented as a result of the changes to financial processes and new risks resulting from covid-19. These reports have been submitted to the Financial Department, the heads of financial departments and the Internal Audit Department. The ICFR area has reported to the Audit and Compliance Committee on the evaluation of ICFR effectiveness in 2020 and the planned scope for 2021.

In 2020 and specifically regarding ICFR oversight activities, the Audit and Compliance Committee has carried out the following proceedings, without limitation:

- It has reviewed the consolidated annual accounts of the Group and the periodic quarterly and half-yearly financial information that the Board of Directors has to provide to the markets and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate application of the generally accepted accounting principles upon drafting such information.
- As part of its supervision duties regarding the Internal Audit function, it has approved its annual activities report, as well as its budget and the annual internal audit plan which includes specific audits on ICFR processes, pursuant to a pluri-annual plan set.
- It has reviewed the annual audit plan of external auditors that includes the audit objectives based upon the evaluation of risks of financial information and the main areas of interest or significant transactions subject to review in the year.
- It has reviewed with the external auditor and with Internal Audit the internal control weaknesses revealed, where appropriate, in the course of the different audit and review assignments. Meanwhile, both external auditors and Internal Audit have regularly advised the Audit and Compliance Committee on the degree of enforcement of recommendations resulting from such assignments.
- It has regularly met with other corporate departments of the Inditex Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including ICFR, verifying their suitability and integrity and the degree of implementation of action plans to meet audit recommendations.

Internal Audit is a corporate function directly linked to the board of directors, which ensures full independence in the performance of its activities. Internal Audit functionally reports to the Audit and Compliance Committee.

The area is centrally managed from headquarters and has representatives at such geographic areas where the presence of the Inditex Group so requires. Additionally, it is divided into specialized areas, which allows gathering deep understanding on risks and processes.

Internal Audit's budget is approved on an annual basis by the Audit and Compliance Committee which provides for the human and material resources, both internal and external of the Internal Audit Department.

The mission of the Internal Audit function consists, inter alia, of assessing risk exposure and the suitability and effectiveness of controls in respect of risks identified and namely, those related to reliability and integrity of financial and operational information.

Based upon the ICFR Scoping Matrix, Internal Audit drafts a pluri-annual plan for the regular review of ICFR of the Group which is submitted to the Audit and Compliance Committee for approval every year.

This pluri-annual plan entails conducting ICFR reviews of the significant processes and elements of the Group's financial statements. Review priorities are set based upon the risks identified. Such plan is implemented through annual planning which determines the scope of the annual ICFR reviews. The suitability of such plan is reviewed every year, further to the update of the process to identify and assess financial information risks. Additionally, annual planning include compliance with the provisions of current internal corporate policies, including the ICFR Policy.

Namely, the following issues are subject to review: the design and effective operation of key transactional controls and general controls on the main software tools involved in financial reporting, as well as the review of the general control environment.

To carry out its activities, Internal Audit uses different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the appropriateness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Results of the assignments, together with the corrective measures recommended, where appropriate, are reported to the Financial Department and the Audit and Compliance Committee. Internal Audit follows up on the implementation of such measures which is reported to the Audit and Compliance Committee.

A.5.2. Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected

Internal Audit regularly discloses to the Financial Department and the Audit and Compliance Committee the internal control weaknesses identified in the reviews carried out, as well as the follow-up on the action plans set out to settle or reduce them.

In turn, external auditors regularly meet with the Financial Department and Internal Audit, both to gather information and to disclose any potential control weaknesses which may have been revealed, where appropriate, in the course of their work.

In its meetings, the Audit and Compliance Committee considers the potential weaknesses in control which might have an impact on financial statements, requesting, where appropriate, from the affected areas, the necessary information to assess any effects on the financial statements.

Section 45.5 of the Board of Directors' Regulations provides that: *"The Board of Directors shall ensure that the annual accounts are drawn up in accordance with accounting standards, endeavouring for them to be drafted in such a manner that they do not give rise to qualifications on the part of the auditor. However, in the exceptional circumstances where the auditor expresses a qualified opinion and the Board of Directors considers that it must stick to its position, it shall publicly explain the contents and scope of the discrepancy. The foregoing without prejudice to the information that the Chair of the Audit and Compliance Committee would make available to the shareholders at the General Meeting of Shareholder"*

To meet the provisions of section 45.5 above referred, any discussions or different views existing are advanced in the meetings of the Audit and Compliance Committee with external auditors. In turn, external auditors report, where appropriate, on the main internal control issues that need to

be improved which have been identified as a result of their work. Additionally, Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

Meanwhile, the Audit and Compliance Committee meets with the statutory auditors of the individual and consolidated annual accounts for the purposes of reviewing on the one hand the Group's annual account, and on the other, certain half-yearly periodic financial information that the board of directors must provide to the market and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate enforcement of generally accepted accounting principles upon preparing such information.

Moreover, the Committee shall regularly receive from the statutory auditor information regarding the audit plan and the results of its implementation, follow up on the recommendations proposed by the statutory auditor and may request its collaboration whenever this is deemed necessary.

In 2020, members of the Internal Audit function and external auditors were in attendance at all 4 meetings held by the Audit and Compliance Committee.

A.6. Other relevant information

A.7. External auditor's report

Report:

Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given

The information on ICFR included in this section F of the Annual Corporate Governance Report for 2020 and prepared by the Group's Management is reviewed by the external auditors.





How we report

How we report

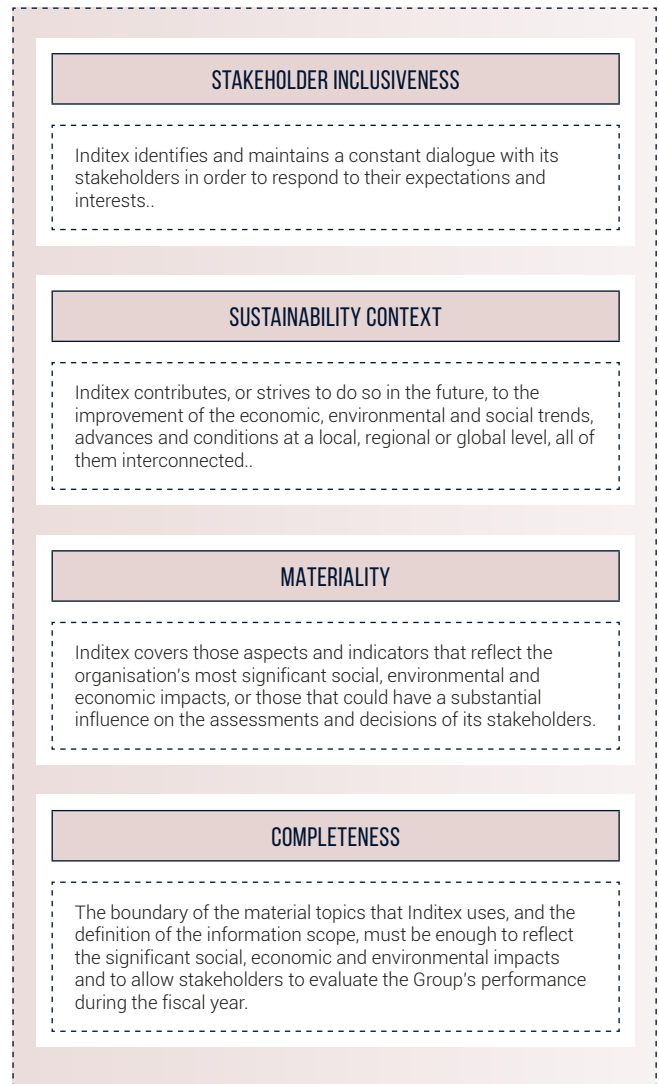
Inditex follows the guidelines of the leading reporting initiatives in order to prepare its Annual Report:

- GRI Sustainability Reporting Standards
- United Nations Global Compact Principles
- International <IR> Framework Principles
- AA1000 APS (2018) ACCOUNTABILITY PRINCIPLES STANDARD
- Principles of the SASB (Sustainability Accounting Standards Board) framework
- Recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD)

Inditex presents its Annual Report as an integrated report, in keeping with the criteria of the Integrated Reporting Framework developed by the International Integrated Reporting Council (IIRC). Inditex is a member of the IIRC Business Network, and has adhered to its principles from the start of the initiative by virtue of its participation in the first pilot carried out by the organisation in 2011. Through this Report, we want to present to all our stakeholders how Inditex generates value in the short, medium and long term, as well as to provide truthful, relevant and accurate information on the financial results for the 2020 FY.

The principles used to prepare this Report include the use of the Global Reporting Initiative (GRI) Sustainability Reporting Standards, or GRI Standards, as a reference. We have been following the GRI criteria since 2007 and we are members of the GRI Community, a universe of companies from different sectors that work together, exhibit leadership in reporting and share knowledge and best practices.

The reporting principles contained in the standard GRI 101: Foundation 2016 have been used to establish the content of this report.



This report also includes a GRI Content Index as its main navigation tool and reference point for its readers. It was approved by the GRI Content Index Service for the sixth year running, and the GRI Alignment Service Organisational Mark is displayed in said index as proof thereof.

This Annual Report was thus prepared in accordance with the Comprehensive option of the GRI Sustainability Reporting Standards.

We also follow the principles of the United Nations Global Compact, of which we have been a member since 2001. This Report also has the function of the Communication on Progress, and the GRI Index presents the different parts of the document that are related to each Global Compact principle.



As prescribed by the above-mentioned standards, this report addresses all matters reflecting Inditex's significant economic, environmental and social impacts that could have a substantial influence on the assessments and decisions of its stakeholders. These areas are identified and evaluated on the basis of a materiality exercise involving the main stakeholders.

i For more information, see the *Materiality analysis* section of this Annual Report.

For the first time, in 2020 we used the SASB (Sustainability Accounting Standards Board) reporting framework as a reference. Specifically, the guidelines in the standard for the Apparel, Accessories and Footwear sector were followed and a SASB reference table is included, which reflects the disclosures and metrics related to this standard.

In addition, in an effort to provide greater transparency on the risks and opportunities that climate change poses to our Company, in 2020 we showed our support for the TCFD (Task Force on Climate-Related Financial Disclosures), and we have started the process of including the TCFD's recommendations. As a result, this Annual Report includes a specific chapter on how we are managing the risks and opportunities associated with climate change. A TCFD Index is also included that references all the related relevant information. Our goal is to continue to make progress consistent with the TCFD in order to fully incorporate its recommendations in future fiscal years. To this end, we have created a multifunctional working group whose mission is to analyse, manage and adapt our climate-related disclosure and management framework to the recommendations of the TCFD.

i For more information, please see chapter 3.2. *Alignment with the Task Force on Climate-related Financial Disclosures (TCFD)* of this Annual Report.

In addition, the guide *Business Reporting on the SDGs: An Analysis of Goals and Targets*, developed by the Action Platform for Reporting on the Sustainable Development Goals, was used for the fourth consecutive year. The platform, organised by the United Nations Global Compact and the Global Reporting Initiative, and of which Inditex was a member since its launch, concluded its work in 2020. In this way, accurate information on the contribution to the United Nations Sustainable Development Goals (SDGs) is provided.

i For more information in the *Appendices* of this Annual Report.

External assurance

This report has been reviewed by Deloitte, S.L., in accordance with the revised ISAE 3000 standard, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and with Guideline no. 47 on *Attestation Engagements of the Statement on Non-Financial Information* issued by the Institute of Certified Public Accountants of Spain. Based on both standards, a selection of 40 disclosures from the GRI Standards were reviewed. These disclosures were selected on the basis of the materiality analysis that Inditex carries out annually with its stakeholders. These disclosures may be found in the GRI index, marked with the following symbol:
























The outcome of the external assurance process corroborates the appropriateness of the reported GRI Standards application option (In-accordance – Comprehensive).

Balance of Material topics

NO.	MATERIAL TOPIC	GRI STANDARD	CONTENT	COVERAGE ⁽¹⁾	INVOLVEMENT ⁽²⁾
1	Ethical behaviour and governance	GRI 103: Management approach 2016 GRI 205: Anti-corruption 2016 GRI 206: Anti-competitive behaviour GRI 307: Environmental compliance 2016 GRI 415: Public policy 2016 GRI 419: Socioeconomic compliance 2016	103-1 to 103-3 205-1 to 205-3 206-1 307-1 415-1 419-1		
2	Risk management and control systems	GRI 103: Management approach 2016 GRI 418: Customer privacy 2016	103-1 to 103-3 418-1		
3	Stakeholder engagement	GRI 103: Management approach 2016	103-1 to 103-3		
4	Responsible Communication	GRI 103: Management approach 2016 GRI 417: Marketing and labelling 2016	103-1 to 103-3 417-1 to 417-3		
5	Value chain transparency and traceability	GRI 103: Management approach 2016	103-1 to 103-3		
6	Responsible purchasing practices	GRI 103: Management approach 2016	103-1 to 103-3		
7	Value creation	GRI 103: Management approach 2016 GRI 201: Economic performance 2016 GRI 203: Indirect economic impacts 2016 GRI 207: Tax 2019 GRI 413: Local communities 2016	103-1 to 103-3 201-1 to 201-4 203-1 to 203-2 207-1 to 207-4 413-1 to 413-2		
8	Innovation	GRI 103: Management approach 2016	103-1 to 103-3		
9	Customer orientation	GRI 103: Management approach 2016 GRI 406: Non-discrimination 2016	103-1 to 103-3 406-1		
10	Diversity, equality and inclusion	GRI 103: Management approach 2016 GRI 405: Diversity and equal opportunity 2016 GRI 406: Non-discrimination 2016	103-1 to 103-3 405-1 to 405-2 406-1		
11	Quality of employment	GRI 103: Management approach 2016 GRI 401: Employment 2016 GRI 402: Labor/management relations 2016 GRI 407: Freedom of association and collective bargaining 2016	103-1 to 103-3 401-1 to 401-3 402-1 407-1		
12	Human Rights	GRI 103: Management approach 2016 GRI 408: Child labour 2016 GRI 409: Forced or compulsory labour 2016 GRI 412: Human rights assessment 2016 GRI 414: Supplier social assessment 2016	103-1 to 103-3 408-1 409-1 412-1 to 412-2 414-1 to 414-2		

(1) Indicates where the impact takes place, within the organisation, outside of it or both.

(2) Indicates the organisation's involvement in the impact.

NO.	MATERIAL TOPIC	GRI STANDARD	CONTENT	COVERAGE ⁽¹⁾	INVOLVEMENT ⁽²⁾
13	Safe and healthy environments	GRI 103: Management approach 2016 GRI 403: Occupational health and safety 2018	103-1 to 103-3 403-1 to 403-10		 
14	Talent management	GRI 103: Management approach 2016 GRI 401: Employment 2016 GRI 404: Training and education 2016	103-1 to 103-3 401-1 to 401-3 404-1 to 404-3		
15	Socially sustainable production environments	GRI 103: Management approach 2016 GRI 407: Freedom of association and collective bargaining 2016 GRI 408: Child labour 2016 GRI 409: Forced or compulsory labour 2016 GRI 412: Human rights assessment 2016 GRI 414: Supplier social assessment 2016	103-1 to 103-3 407-1 408-1 409-1 412-1 to 412-3 414-1 to 414-2		 
16	Climate change	GRI 103: Management approach 2016 GRI 302: Energy 2016 GRI 305: Emissions 2016	103-1 to 103-3 302-1 to 302-5 305-1 to 305-7		 
17	Environmental footprint minimisation	GRI 103: Management approach 2016 GRI 303: Water and Effluents 2018 GRI 306: Effluents and waste 2016 GRI 308: Supplier environmental assessment 2016	103-1 to 103-3 303-1 to 303-5 306-1 to 306-5 308-1 to 308-2		 
18	Protection of natural resources	GRI 103: Management approach 2016 GRI 304: Biodiversity 2016	103-1 to 103-3 304-1 to 304-4		 
19	Product sustainability	GRI 103: Management approach 2016 GRI 301: Materials 2016 GRI 416: Customer Health and Safety 2016	103-1 to 103-3 301-1 to 301-3 416-1 to 416-2		 
20	Circularity	GRI 103: Management approach 2016 GRI 301: Materials 2016 GRI 306: Effluents and waste 2016	103-1 to 103-3 301-1 to 301-3 306-1 to 306-5		 

 Inside the organisation
  Outside the organisation
  Inside and outside the organisation
  Direct
  Indirect

Direct: The organisation is directly linked to the impact
 Indirect: The organisation is linked to the impact through its business relations

SASB reference table

TOPIC	ACCOUNTING METRIC	CODE	DISCLOSURE
Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations.	CG-AA-250a.1	Pages 306, 331-332, 356, 335-347, 431-435
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products.	CG-AA-250a.2	Pages 306, 331-332, 356, 335-347, 431-435
Environmental Impacts in the Supply Chain	Percentage of (1) tier 1 supplier facilities and (2) supplier facilities beyond tier 1 in compliance with wastewater discharge permits and/or contractual agreement.	CG-AA-430a.1	<p>In 2020, 98% of the suppliers and 95% of the factories under the scope of our Green to Wear 2.0 environmental standard had authorization for all their hydric resources; 98% of the suppliers and 97% of the factories had wastewater discharge permits and in 79% of suppliers and 84% of factories the direct or indirect discharge complies with the legal limits or the limits agreed with the External Effluent Treatment Plant.</p> <p>On the other hand, 75% of the suppliers and 86% of the factories under the scope of our Green to Wear 2.0 environmental standard, meet the Foundational level of ZDHC in its direct discharges. Also, in line with our commitment to ZDHC, 75% of suppliers and 86% of factories comply with ZDHC limits applicable to the substances included in ZDHC Wastewater Guidelines v.1.1 in its direct and indirect discharges.</p> <p>As a consequence of the environmental audits, Corrective Action Plans are carried out in those cases in which it is necessary. During these plans, Inditex teams support suppliers and / or factories to correct the non-compliances detected, in accordance with the Company's philosophy of continuous improvement of the supply chain.</p>
	Percentage of (1) tier 1 supplier facilities and (2) supplier facilities beyond tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment.	CG-AA-430a.2	<p>All of our suppliers and manufacturers are audited against our Code of Conduct for Manufacturers and Suppliers, which includes a section on environmental compliance. Specifically, 54% of the suppliers and 55% of the factories active in 2020 which carried out any wet process, and that therefore are under the scope of our Green to Wear 2.0 standard, have been environmentally audited. This facilities process a large majority of the products that include any of these wet processes. This percentage has been affected by the context caused by the covid-19 pandemic and the movility restrictions and lockdowns derived of it.</p> <p>More information on pages 20, 356-357, 363-365, 431-433</p>



In 2020, we have used for the first time the SASB (Sustainability Accounting Standards Board) reporting framework as a reference.

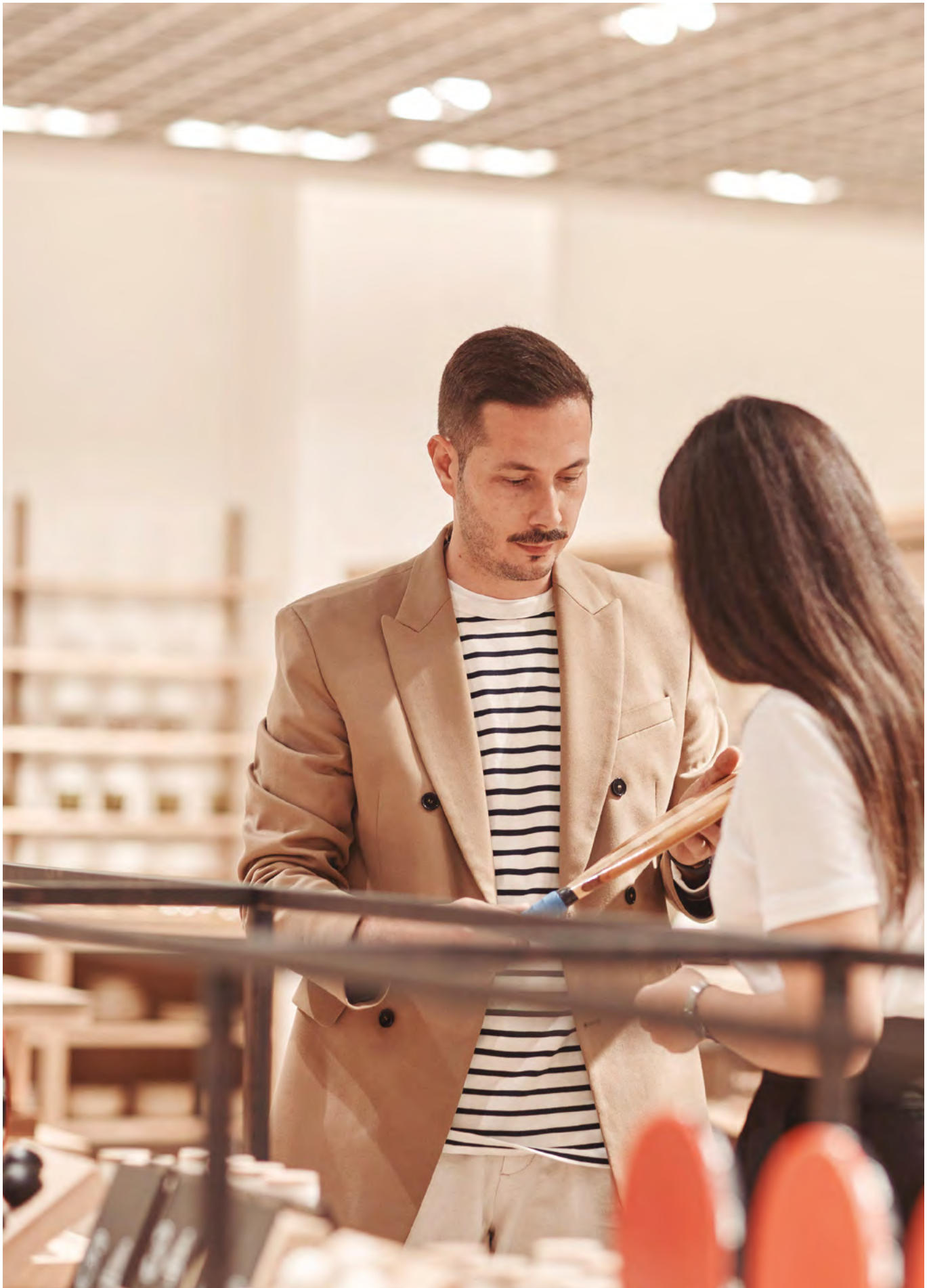
TOPIC	ACCOUNTING METRIC	CODE	DISCLOSURE
Labor Conditions in the Supply Chain	Percentage of (1) tier 1 supplier facilities and (2) supplier facilities beyond tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor.	CG-AA-430b.1	<p>All our suppliers and manufacturers are audited against our Code of Conduct for Manufacturers and Suppliers. This verification is carried out initially through a pre-assessment audit - carried out to all companies before they can become part of our supply chain - and subsequently periodically through social audits.</p> <p>Specifically, 25% of the suppliers and 44% of the factories active in the year 2020 were audited either through a pre-assessment or social audit during this same period. This percentage has been influenced by the context caused by the covid-19 pandemic and the restrictions on mobility and lockdowns derived from the same. On the other hand, it is necessary to take into account that the periodicity of the social audits varies depending on the ranking obtained in the previous audit. In this sense, the interval between audits of suppliers or manufacturers with A or B rankings will be longer than in those with a C or D ranking. In fiscal year 2020, 96% of suppliers were ranked A or B.</p> <p>In 2020, 3,052 pre-assessment audits were carried out (99.7% carried out by external auditors), and 5,689 social audits (95.1% carried out by external auditors). Regardless of whether the audits are performed by internal or external auditors, the methodology used is Inditex's own audit methodology.</p> <p>More information on pages 20, 356, 359-362, 364-365, 431-432</p>
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits.	CG-AA-430b.2	Pages 354-355, 359-362, 431-432
	Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain	CG-AA-430b.3	Pages 204-259, 324-334, 335-347
Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials.	CG-AA-440a.1	Pages 272-273, 325-334
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard.	CG-AA-440a.2	<p>Pages 328-334, 434-435</p> <p>This information is not available at the Company's systems with the level of breakdown required. Inditex is working on the improvement of its systems in order to be able to report this information in future reporting periods.</p>
Activity Metrics	Number of (1) tier 1 suppliers and (2) suppliers beyond tier 1.	CG-AA-000.A	<p>In 2020, Inditex's supply chain comprised 1,805 suppliers - equivalent to tier 1 and defined as direct suppliers with which Inditex maintains a commercial relationship - which, in turn, used 8,543 factories for the Group's productions - equivalent to suppliers beyond tier 1.</p> <p>Fashion item suppliers with production of over 20,000 units in the spring/summer and autumn/winter 2020 campaigns are included. Suppliers with lower productions account for 0.3% of total production.</p> <p>Factories declared by suppliers in the product traceability systems for the orders of the spring/summer and autumn/winter 2020 campaigns are included.</p>



“ We have showed our support to the Task Force on Climate-related Financial Disclosures (TCFD) in order to provide greater transparency on the risks and opportunities for our Company derived from climate change.

TCFD Index

PILLAR	TCFD RECOMMENDED DISCLOSURES	REFERENCE
GOVERNANCE	1.1. Describe the board's oversight of climate-related risks and opportunities.	Pages 313-314 Annual Corporate Governance Report 2020 page 147 Statement on Non-Financial Information Financial Year 2020 page 20
	1.2. Describe management's role in assessing and managing climate-related risks and opportunities.	Pages 313-314 Statement on Non-Financial Information Financial Year 2020 page 20
STRATEGY	2.1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Pages 316-317 Annual Corporate Governance Report 2020 page 140
	2.2. Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	Pages 316-317 Annual Corporate Governance Report 2020 page 140
	2.3. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios.	Pages 315-317
RISK MANAGEMENT	3.1. Describe the organization's processes for identifying and assessing climate-related risks.	Pages 315, 317-318 Annual Corporate Governance Report 2020 page 131
	3.2. Describe the organization's processes for managing climate-related risks.	Pages 317-318 Annual Corporate Governance Report 2020 page 141
	3.3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Page 318 Annual Corporate Governance Report 2020 page 131 Statement on Non-Financial Information Financial Year 2020 page 15
METRICS AND TARGETS	4.1. Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	Pages 288, 290-308, 319-321 Statement on Non-Financial Information Financial Year 2020 page 136 Annual Report on Remunerations of Directors 2020 pages 10, 16, 18
	4.2. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Page 320 Statement on Non-Financial Information Financial Year 2020 page 138
	4.3. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Pages 52, 288, 319 Statement on Non-Financial Information Financial Year 2020 page 131



GRI content index

GRI content verification



Deloitte, S.L.
Ferrol 1
15004 A Coruña
España

Tel: +34 981 12 46 00
www.deloitte.es

INDEPENDENT LIMITED ASSURANCE REPORT

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

We have performed the verification, with a scope of limited assurance, of certain non-financial information indicators included in the Annual Report ("the Annual Report") for the year ended 31 January 2021 ("2020") of Industria de Diseño Textil, S.A. ("Inditex") and Subsidiaries ("the Group").

Our review work was confined solely to the verification of the indicators for 2020 identified by the symbol in the "GRI content index" section included in the accompanying Annual Report.

Responsibilities of the Directors and of Management

The preparation and content of the Group's Annual Report for 2020 are the responsibility of the directors of Inditex. The Annual Report was prepared following the criteria of the comprehensive version of the GRI standards and other criteria described as indicated for each matter in the "GRI content index" section of the aforementioned Annual Report.

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

The directors and management of Inditex are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the Annual Report for 2020 is obtained.

Our Independence and Quality Control

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

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

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

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which relates solely to the indicators identified by the symbol in the "GRI content index" section included in the Annual Report for 2020.

We conducted our assurance work in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised"), currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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

Our work consisted of submitting inquiries to management of Inditex and to the management of various units of the Group that participated in the preparation of the Annual Report for 2020, reviewing the processes used to compile and validate the portion of the indicators subject to review by us included in the Annual Report, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.
- Analysis of the processes used to compile and validate the data for 2020 presented in the Annual Report relating to the indicators subject to review by us.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the Annual Report to the extent that they affect the indicators subject to review by us.
- Verification, by means of sample-based tests, of the information relating to the indicators subject to review by us included in the Annual Report and the appropriate compilation thereof based on the data furnished by the Group's information sources.
- Obtainment of a representation letter from the Directors and Management.

Conclusion

Our conclusion relates solely to the information subject to review specified in the "Our Responsibility" section of this report. Based on the procedures performed in our verification and the evidence we have obtained, considering the information provided for each revised indicator in the "GRI content index" section, nothing has come to our attention that causes us to believe that the indicators subject to review by us contained in the Annual Report for 2020 of Industria de Diseño Textil, S.A. and Subsidiaries were not prepared, in all material respects, in accordance with the comprehensive version of the GRI standards.



DELOITTE, S.L.

Cleber H. Beretta Custodio

18 June 2021



GRI content index

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
GRI 101: FOUNDATION 2016					
GENERAL DISCLOSURES					
GRI 102: GENERAL DISCLOSURES 2016					
ORGANIZATIONAL PROFILE					
	102-1 Name of the organization	Industria de Diseño Textil, S.A.			
	102-2 Activities, brands, products, and services	25-39			
	102-3 Location of headquarters	Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña, España			
	102-4 Location of operations	509-515			
	102-5 Ownership and legal form	128-129, 468-469 For further information about the Company's governance structure and practices, refer to the 2020 Annual Corporate Governance Report, retrievable from: https://www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
	102-6 Markets served	509-515			
	102-7 Scale of the organization	16-18, 20-21			
	102-8 Information on employees and other workers	20-21, 78-79, 128-129 The employee breakdown by type of contract (permanent/temporary) and region is: the Americas, 97% permanent (3% temporary); Spain, 88% permanent (12% temporary); Europe excl. Spain, 89% permanent (11% temporary); and Asia and RoW, 62% permanent (38% temporary).		<input checked="" type="checkbox"/>	Principle 6 Pg. 578-579
	102-9 Supply chain	21, 80-83, 352-353, 369-370, 430		<input checked="" type="checkbox"/>	Pg. 578-579
	102-10 Significant changes to the organization and its supply chain	80-83, 350-353, 519-523			
	102-11 Precautionary Principle or approach	535-547			
	102-12 External initiatives	42, 52, 80-83, 369-370, 418-423			
	102-13 Membership of associations	5, 325-326, 353, 369-370, 418-423			
STRATEGY					
	102-14 Statement from senior decision-maker	8, 9			
	102-15 Key impacts, risks, and opportunities	524-527			
ETHICS AND INTEGRITY					
	102-16 Values, principles, standards, and norms of behavior	42-43, 82-83, 114-116 Code of Conduct and Responsible Practices: www.inditex.com/en/how-we-do-business/right-to-wear			Principle 10
	102-17 Mechanisms for advice and concerns about ethics	120-122			Principle 10

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
GOVERNANCE					
102-18	Governance structure	128-133, 506 For further information about the Company's governance structure and practices, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-19	Delegating authority	128-133 For further information about the Company's governance structure and practices, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-20	Executive-level responsibility for economic, environmental, and social topics	130-133 For further information about the Company's governance structure and practices, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-21	Consulting stakeholders on economic, environmental, and social topics	42-43, 64-65			
102-22	Composition of the highest governance body and its committees	128-129 For further information about the Company's governance structure and practices, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-23	Chair of the highest governance body	128-129 For further information about the Company's governance structure and practices, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-24	Nominating and selecting the highest governance body	128-129, 132 For further information about the Company's governance structure and practices, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-25	Conflicts of interest	118, 545 For further information about related-party transactions and conflicts of interest, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-26	Role of highest governance body in setting purpose, values, and strategy	128-129, 132 For further information about the Company's governance structure and practices, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-27	Collective knowledge of highest governance body	128-129 For further information about the Company's governance structure and practices, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-28	Evaluating the highest governance body's performance	131-133, 544 For further information about the evaluation of the highest governance body's performance, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-29	Identifying and managing economic, environmental, and social impacts	68-71, 128-133, 535 For further information about the identification of economic, environmental and social impacts, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
102-30	Effectiveness of risk management processes	535, 544-545			
102-31	Review of economic, environmental, and social topics	128-132 For further information about how the Board of Directors operates, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			

GRI	STANDARD DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	102-32 Highest governance body's role in sustainability reporting	The Board of Directors is the body responsible for reviewing and authorising the issuance of the Annual Report.			
	102-33 Communicating critical concerns	63-65, 128-132 For further information about the Company's committees and its stakeholder engagement effort, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
	102-34 Nature and total number of critical concerns	128-132 For further information, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
	102-35 Remuneration policies	128, 131-133, 184-185 For further information, refer to the Annual Report on Remuneration of Directors for 2020 (sections A.1 and A.2) and the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/en/compliance/corporate-governance/report-on-remuneration-of-directors and www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
	102-36 Process for determining remuneration	128, 131-133, 184-185 For further information, refer to the Annual Report on Remuneration of Directors for 2020 (sections A.1 and A.2) and the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/en/compliance/corporate-governance/report-on-remuneration-of-directors and www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
	102-37 Stakeholders' involvement in remuneration	128, 131-133, 184-185 For further information, refer to the Annual Report on Remuneration of Directors for 2020 (sections A.1 and A.2) and the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/en/compliance/corporate-governance/report-on-remuneration-of-directors and www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
	102-38 Annual total compensation ratio	131-133, 184-185 For further information, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
	102-39 Percentage increase in annual total compensation ratio	131-133, 184-185 For further information, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
STAKEHOLDER ENGAGEMENT					
	102-40 List of stakeholder groups	64-65			
	102-41 Collective bargaining agreements	83-87, 98, 216			Principle 3
	102-42 Identifying and selecting stakeholders	64-65			
	102-43 Approach to stakeholder engagement	64-65, 68			
	102-44 Key topics and concerns raised	70-71, 570-571			
REPORTING PRACTICE					
	102-45 Entities included in the consolidated financial statements	509-515			
	102-46 Defining report content and topic Boundaries	68-71, 570-571			
	102-47 List of material topics	70-71, 570-571			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
102-48	Restatements of information	20-21, 352 In respect of information presented for a different time horizon or covering a different entity than in previous reporting periods, the nuances of such changes are disclosed alongside the indicator in question.			
102-49	Changes in reporting	70-71, 527			
102-50	Reporting period	The Annual Report provides an account of Inditex Group's economic, social and environmental performance during fiscal 2020, which runs from 1 February 2020 to 31 January 2021.			
102-51	Date of most recent report	jun-20			
102-52	Reporting cycle	Annual			
102-53	Contact point for questions regarding the report	189, 598, 600			
102-54	Claims of reporting in accordance with the GRI Standards	This report was prepared in accordance with the GRI Standards - Comprehensive option.			
102-55	GRI content index	580-597			
102-56	External assurance	578-579			

MATERIAL TOPICS

1 ETHICAL BEHAVIOUR AND GOVERNANCE

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its Boundary	70-71, 570-571			
103-2	The management approach and its components	114-132, 164-165 For further information, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf For more information about corporate governance, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf		<input checked="" type="checkbox"/>	Pg. 578-579
103-3	Evaluation of the management approach	116, 123-126, 128-132			

GRI 205: ANTI-CORRUPTION 2016

205-1	Operations assessed for risks related to corruption	114-116 The Code of Conduct and Responsible Practices addresses the prevention of corruption in all its manifestations. That Code is applicable to 100% of the Group's business units and can be downloaded from the corporate website at: www.inditex.com/web/guest/how-we-do-business/right-to-wear			Principle 10
205-2	Communication and training about anti-corruption policies and procedures	116-128		<input checked="" type="checkbox"/>	Pg. 578-579 Principle 10
205-3	Confirmed incidents of corruption and actions taken	123		<input checked="" type="checkbox"/>	Pg. 578-579 Principle 10

GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016

206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
The Inditex Group did not record any material (firm) legal action related with anti-competitive behaviour, anti-trust or monopoly practices through any of the channels available to that end in 2020.

GRI 307: ENVIRONMENTAL COMPLIANCE 2016

307-1 Non-compliance with environmental laws and regulations
The Inditex Group did not receive any penalties or fines of significant amount for non-compliance with environmental laws or regulations through any of the channels available to that end in 2020.

GRI	STANDARD DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
GRI 415: PUBLIC POLICY 2016					
	415-1 Political contributions	Inditex's Code of Conduct and Responsible Practices expressly stipulates that all dealings between Inditex and governments, authorities, institutions and political parties must be framed by the principles of lawfulness and neutrality. Any contributions made by the Company, whether in cash or in-kind, to political parties, institutions or public authorities must be made in accordance with prevailing legislation. So as to guarantee transparency in this respect they must be preceded by a report from the legal advisory department certifying their absolute lawfulness.			Principle 10
GRI 419: SOCIOECONOMIC COMPLIANCE 2016					
	419-1 Non-compliance with laws and regulations in the social and economic area	The Inditex Group did not receive any significant fines for non-compliance with laws or regulations applicable to it through any of the channels available to that end in 2020.			
OTHER DISCLOSURES: GRIEVANCE PROCEDURES					
	AF4 Policy and procedures for receiving, investigating, and responding to grievances and complaints	120-127			
2 RISK MANAGEMENT AND CONTROL SYSTEMS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	535-547			
	103-3 Evaluation of the management approach	537-538			
GRI 418: CUSTOMER PRIVACY 2016					
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	The Inditex Group did not receive any significant fines concerning breaches of customer privacy or losses of customer data through any of the channels available to that end in 2020.		<input checked="" type="checkbox"/> Pg. 578-579	
3 STAKEHOLDER ENGAGEMENT					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	64-65			
	103-3 Evaluation of the management approach	66-67			
4 RESPONSIBLE COMUNICACION					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	52, 526			
	103-3 Evaluation of the management approach	52, 426-427, 536 For further information about the risk management model, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			
GRI 417: MARKETING AND LABELING 2016					
	417-1 Requirements for product and service information and labeling	102-107, 110-111, 333, 335-347 The Group's product health and safety standards are compulsory across the entire production chain (100%).			
	417-2 Incidents of non-compliance concerning product and service information and labeling	The Inditex Group did not record any significant incidences of non-compliance with regulations and voluntary codes concerning product information and labelling through any of the channels available to that end in 2020.			
	417-3 Incidents of non-compliance concerning marketing communications	The Inditex Group did not record any significant incidents of non-compliance concerning marketing communications through any of the channels available to that end in 2020.			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
5	VALUE CHAIN TRANSPARENCY AND TRACEABILITY				
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	52, 353-355			
	103-3 Evaluation of the management approach	352, 430			
6	RESPONSIBLE PURCHASING PRACTICES				
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	328-332, 346, 357-365			
	103-3 Evaluation of the management approach	20-21, 330, 357-359			
OTHER DISCLOSURES: CAPACITY BUILDING					
	AF5 Strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve in social and environmental performance.	178-179, 289, 346, 357-359			
OTHER DISCLOSURES: BUSINESS INTEGRATION					
	AF6 Policies for supplier selection, management, and termination	352, 359-365 Inditex's Code of Conduct for Manufacturers and Suppliers stipulates the standards and requirements to which suppliers looking to form part of Inditex's supply chain are bound. It is retrievable from Inditex's website at: www.inditex.com/es/comprometidos-con-las-personas/nuestros-proveedores		<input checked="" type="checkbox"/>	Pg. 578-579
	AF17 Actions to identify and mitigate business practices that affect code compliance	359, 364-365			
OTHER DISCLOSURES: EMPLOYMENT					
	AF24 Policy on the use and selection of labour brokers, including adherence to relevant ILO Conventions	81-83, 254, 370-371 Inditex analyses and controls compliance with its Sustainability Strategy by its suppliers by means of a specific Code of Conduct for Manufacturers and Suppliers compliance programme.			
7	VALUE CREATION				
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	60-61, 164-169, 192-196, 382-387			
	103-3 Evaluation of the management approach	8, 164-169, 192-196, 382-391			
GRI 201: ECONOMIC PERFORMANCE 2016					
	201-1 Direct economic value generated and distributed	440		<input checked="" type="checkbox"/>	Pg. 578-579
	201-2 Financial implications and other risks and opportunities due to climate change	50-53, 60-61, 312-321, 523, 526 The Risk Management and Control Policy sets down the basic principles, key risk factors and general management and control framework for the risks to which the Group is exposed. That policy applies to the entire Group and is the basis of the enterprise risk management system. Framed by that Risk Management and Control Policy, the various business units act as the first line of defence in the management and control of the various risks to which the Group is exposed, including those related with climate. Climate conditions influence the availability and price of the raw materials used in the Group's productive processes, among other factors. Furthermore, pronounced changes in climate cycles can affect demand patterns.			
	201-3 Defined benefit plan obligations and other retirement plans	53, 128-130			

GRI	STANDARD DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	203-1 Financial assistance received from government	In 2020, considering all of the markets in which it operates, Inditex has received €8 million in the form of public subsidies.		<input checked="" type="checkbox"/> Pg. 578-579	
GRI 203: INDIRECT ECONOMIC IMPACTS 2016					
	203-1 Infrastructure investments and services supported	20-21, 382-387, 438-440			
	203-2 Significant indirect economic impacts	396-414			
GRI 207: FISCALIDAD 2019					
	207- 1 Approach to tax	192-197 The information regarding the Group's Tax Strategy and Tax Policy can be found at the following link: www.inditex.com/web/guest/our-commitment-to-people/our-tax-contribution For further information, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf/ and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf			
	207-2 Tax governance, control, and risk management	192-197 The information regarding the Group's Tax Strategy and Tax Policy can be found at the following link: www.inditex.com/web/guest/our-commitment-to-people/our-tax-contribution For further information, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf/ and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf			
	207-3 Stakeholder engagement and management of concerns related to tax	192-197 The information regarding the Group's Tax Strategy and Tax Policy can be found at the following link: www.inditex.com/web/guest/our-commitment-to-people/our-tax-contribution For further information, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf/ and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf			
	207-4 Country-by-country reporting	192-197 The information regarding the Group's Tax Strategy and Tax Policy can be found at the following link: www.inditex.com/web/guest/our-commitment-to-people/our-tax-contribution For further information, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf/ and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf			
GRI 413: LOCAL COMMUNITIES 2016					
	413-1 Operations with local community engagement, impact assessments, and development programs	76-87, 376-379, 200-259			Principle 1
	413-2 Operations with significant actual and potential negative impacts on local communities	331, 356			Principle 1 and 2
OTHER DISCLOSURES: COMMUNITY INVESTMENT					
	AF33 Priorities in community investment strategy.	382-385			
	AF34 Amount of investment in worker communities broken down by location	384, 385			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES																																									
8	INNOVATION																																													
GRI 103: MANAGEMENT APPROACH 2016																																														
	103-1 Explanation of the material topic and its Boundary	68-69, 570-571																																												
	103-2 The management approach and its components	138-161																																												
	103-3 Evaluation of the management approach	138-161																																												
9	CUSTOMER ORIENTATION																																													
GRI 103: MANAGEMENT APPROACH 2016																																														
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571																																												
	103-2 The management approach and its components	102-107, 110-111																																												
	103-3 Evaluation of the management approach	102-107, 110-111																																												
10	DIVERSITY, EQUALITY AND INCLUSION																																													
GRI 103: MANAGEMENT APPROACH 2016																																														
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571																																												
	103-2 The management approach and its components	171-173, 184-185, 224-234 For further information, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf																																												
	103-3 Evaluation of the management approach	20-21, 166-167, 227-231 For further information, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf																																												
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016																																														
	405-1 Diversity of governance bodies and employees	92-93, 168-173 The table below provides a breakdown of the Company's directors by age category:		<input checked="" type="checkbox"/>	Principle 6 Pag. 578-579																																									
		<table border="1"> <thead> <tr> <th rowspan="2">AGE</th> <th colspan="2">2020</th> <th colspan="2">2019</th> <th colspan="2">2018</th> </tr> <tr> <th>DIRECTORS</th> <th>%</th> <th>DIRECTORS</th> <th>%</th> <th>DIRECTORS</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Under 55</td> <td>3</td> <td>27%</td> <td>3</td> <td>27%</td> <td>3</td> <td>33%</td> </tr> <tr> <td>55 to 65</td> <td>5</td> <td>46%</td> <td>6</td> <td>55%</td> <td>4</td> <td>45%</td> </tr> <tr> <td>Over 65</td> <td>3</td> <td>27%</td> <td>2</td> <td>18%</td> <td>2</td> <td>22%</td> </tr> <tr> <td>TOTAL</td> <td>11</td> <td>100%</td> <td>11</td> <td>100%</td> <td>9</td> <td>100%</td> </tr> </tbody> </table>	AGE	2020		2019		2018		DIRECTORS	%	DIRECTORS	%	DIRECTORS	%	Under 55	3	27%	3	27%	3	33%	55 to 65	5	46%	6	55%	4	45%	Over 65	3	27%	2	18%	2	22%	TOTAL	11	100%	11	100%	9	100%			
AGE	2020			2019		2018																																								
	DIRECTORS	%	DIRECTORS	%	DIRECTORS	%																																								
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Over 65	3	27%	2	18%	2	22%																																								
TOTAL	11	100%	11	100%	9	100%																																								
		For further information about diversity on the Board of Directors, refer to the 2020 Annual Corporate Governance Report (sections C.1.4, page 37; C.1.5, pages 38-40; and C.1.6, pages 43-44), retrievable from www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf , the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf																																												

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	405-2 Ratio of basic salary and remuneration of women to men	168, 184-185	Information about the remuneration earned by women relative to men by job category is not available with the level of detail required in the company's systems. Inditex is working to upgrade its systems with a view to reporting that information in 2022.	<input checked="" type="checkbox"/> Pg. 578-579	Principle 6
GRI 406: NON-DISCRIMINATION 2016					
	406-1 Incidents of discrimination and corrective actions taken	The Inditex Group did not receive any instances of discrimination implying a breach of human rights through any of the channels available to that end in 2020. The Group is working to establish the criteria and practices constituting potential non-compliance with or breaches of human rights and plans to draw up a risk map to identify the most significant areas of risk.		<input checked="" type="checkbox"/> Pg. 578-579	
OTHER DISCLOSURES: DIVERSITY AND EQUAL OPPORTUNITIES					
	AF27 Policy and actions to protect the pregnancy and maternity rights of women workers	173 The disclosures regarding work/life balance measures are provided in the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf/ and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf			
	AF32 Actions to address gender discrimination and to provide opportunities for the advancement of women workers	164-165, 168-170 For further information, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf/ and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf			
11 QUALITY OF EMPLOYMENT					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	92-93, 164-165, 168, 184-185, 208-213			
	103-3 Evaluation of the management approach	20-21, 90-93, 184-185			
GRI 401: EMPLOYMENT 2016					
	401-1 New employee hires and employee turnover	Turnover at the Inditex Group, including voluntary departures, was 31.9% in 2020 (31.2% among women and 34.2% among men). By age category, turnover was 49% among the under 30s, 11% among those aged between 30 and 45; and 4.6% for those over the age of 45. Turnover varied considerably by region: 87.7% in Asia; 50.9% in the Americas; 20.9% in Europe (excluding Spain); and 8.5% in Spain. In 2020, permanent hires totalled 14,979, implying a permanent employee hiring rate of 11.9%. Of that figure, 74% are women and 26% are men; 94% are under the age of 30, 5% are aged between 30 and 45 and 1% are over 45. In addition, 1% of the permanent hires took place in Spain; 35% in Europe (excl. Spain); 25% in the Americas; and 39% in Asia and RoW.		<input checked="" type="checkbox"/> Pg. 578-579	Principle 6
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	The Group provides the same benefits to temporary and part-time workers as it does to full-time workers.			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
401-3	Parental leave	173	Information relating to Spain; the corresponding international data is not available in the Company's systems with the level of detail required. Inditex is working to upgrade its systems with a view to reporting that information in 2022.	<input checked="" type="checkbox"/> Pg. 578-579	Principle 6
GRI 402: LABOR/MANAGEMENT RELATIONS 2016					
402-1	Minimum notice periods regarding operational changes	The collective bargaining agreements in force do not include a minimum notice period for officially communicating significant operational changes at Inditex. However, whenever a significant development takes place, it is notified with the advance notice stipulated in prevailing legislation (article 41 of the Spanish Workers' Statute)			Principle 3
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016					
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	208-213, 362, 370 Inditex's Code of Code of Conduct and Responsible Practices specifically addresses the right to freedom of association and collective bargaining. That Code applies to all of the Group's operations. The Code of Conduct for Manufacturers and Suppliers, which applies to all of the Group's suppliers, also enshrines this right. The programme for supervising compliance with Inditex's Code of Conduct for Manufacturers and Suppliers assesses compliance with workers' right to freedom of association.			Principle 3
OTHER DISCLOSURES: EMPLOYMENT					
AF22	Policy and practices regarding the use of employees with non-permanent and non-fulltime	90-93			
AF23	Policy regarding the use of home working	173 The disclosures regarding work/life balance measures are provided in the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf			
OTHER DISCLOSURES: LABOUR/MANAGEMENT RELATIONS 2016					
AF29	Percentage of workplaces where there is one or more independent trade union(s)	96-97 36% of Inditex's workplaces have trade union representation.			
AF30	Percentage of workplaces where, in the absence of a trade union, there are worker-management committees, broken down by country.	The Group does not participate in worker-management committees in the absence of a trade union.			
OTHER DISCLOSURES: WAGES AND HOURS					
AF25	Policy and practices on wage deductions that are not mandated by law	Inditex does not apply wage deductions that are not mandated by law.			
AF26	Policy on working hours, including definition of overtime, and actions to prevent excessive and forced overtime	99 According to the Group's Code of Conduct and Responsible Practices, weekly working hours and overtime cannot exceed the limits stipulated in each country's labour legislation. Overtime is in all instances voluntary and remunerated as set down in applicable legislation. Elsewhere, the Inditex Group's Human Rights Policy sets down its zero tolerance stance towards forced or compulsory labour, as defined in ILO Convention 29. All of the foregoing applies to its own employees and its supply chain workers and any other natural and/or legal person related with Inditex. Moreover, the Code of Conduct sets down how the Group upholds and fosters compliance with human and labour rights, expressly committing to apply applicable regulations and best practices in the areas of employment terms and occupational health and safety, forbidding all forms of violence, harassment and abuse in the workplace.			

GRI	STANDARD DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
12 HUMAN RIGHTS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	200-259, 368-371			
	103-3 Evaluation of the management approach	202-203, 362			
GRI 408: CHILD LABOR 2016					
	408-1 Operations and suppliers at significant risk for incidents of child labor	359-362 The programme for supervising compliance with Inditex's Code of Conduct for Manufacturers and Suppliers, which applies to all of the Group's operations and suppliers, assesses the level of compliance with prohibition of child labour, as stated in said Code.			Principle 5
GRI 409: FORCED OR COMPULSORY LABOR 2016					
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	359-362 The programme for supervising compliance with Inditex's Code of Conduct for Manufacturers and Suppliers, which applies to all of the Group's operations and suppliers, assesses the level of compliance with prohibition of forced labour, as stated in said Code.			Principle 4
GRI 412: HUMAN RIGHTS ASSESSMENT 2016					
	412-1 Operations that have been subject to human rights reviews or impact assessments	20-21, 359-362, 431			Principle 1 and 2
	412-2 Employee training on human rights policies or procedures	369-371 In 2020, the Group continued to make progress on its supply chain due diligence processes. With the help on an outside organisation, Shift, our Social Sustainability teams on the ground in the countries that represent virtually all of Inditex's production have received training on humans rights matters and on processes inspired by the United Nations Guiding Principles on Business and Human Rights in order to identify and prioritise potential human rights impacts for different groups. Training was also extended to other areas of the organisation in the past year, such as the logistics area.			Principle 1
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	254-256, 369-371			Principle 2
OTHER DISCLOSURES: CODE OF CONDUCT					
	AF1 Code of conduct content and coverage	369-371 Code of Conduct and Responsible Practices: www.inditex.com/web/guest/how-we-do-business/right-to-wear Code of Conduct for Manufacturers and Suppliers www.inditex.com/documents/10279/241035/Inditex+Code+of+Conduct+for+Manufacturers+and+Suppliers Compliance Programme: www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement			
	AF7 Number and location of workplaces covered by code of conduct	350-352, 369-371 The Code of Conduct for Manufacturers and Suppliers applies to 100% of Inditex's suppliers and manufacturers. For further information about supply chain identification, refer to Inditex's website: www.inditex.com/en/our-commitment-to-people/our-suppliers		<input checked="" type="checkbox"/>	Pg. 578-579
13 SAFE AND HEALTHY ENVIRONMENTS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	76-87			
	103-3 Evaluation of the management approach	78, 81-82			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018					
	403-1 Occupational health and safety management system	76-79, 227-231, 235-241, 441-442			
	403-2 Hazard identification, risk assessment, and incident investigation	76-79, 227-231, 235-241			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
403-3	Occupational health services	76-86, 227-231, 235-241			
403-4	Worker participation, consultation, and communication on occupational health and safety	76-86, 227-231, 235-241 The committees in place represent all workers to the same degree (management and employees) and all agreements are endorsed by management. All of the committees reach agreements related with worker health and safety. During the reporting period, Inditex had agreements in effect with unions at the local and international levels which address aspects such as personal protection gear, regular inspections, skills training and education and grievance mechanisms, among others.			
403-5	Worker training on occupational health and safety	76-86, 227-231, 235-241			
403-6	Promotion of worker health	76-86, 227-231, 235-241			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	76-86, 227-231, 235-241			
403-8	Workers covered by an occupational health and safety management system	78, 441-444 The disclosures regarding absenteeism and work-related illnesses are provided in the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf			
403-9	Work-related injuries	78-79, 441-444 The disclosures regarding work-related injuries are provided the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf	The Company's systems are not currently capable of producing disclosures about work-related injuries outside Spain with the level of detail required. Inditex is working to upgrade its systems with a view to reporting that information in 2022. Information about workers not employed in the workplaces controlled by the Group is not available in the Company's systems with the level of detail required. Inditex is working to upgrade its systems with a view to reporting that information.	<input checked="" type="checkbox"/> Pg. 578-579	
403-10	Work-related ill health	78-79, 441-444 The disclosures regarding work-related ill health are provided in the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf	Information about workers not employed in the workplaces controlled by the Group is not available in the Company's systems with the level of detail required. Inditex is working to upgrade its systems with a view to reporting that information.	<input checked="" type="checkbox"/> Pg. 578-579	

OTHER DISCLOSURES: OCCUPATIONAL HEALTH AND SAFETY

AF31 Initiatives and programs to respond to, reduce, and prevent the occurrence of musculoskeletal disorders	78-79 For information about the prevention of musculoskeletal disorders, refer to the 2020 Statement on Non-Financial Information at: www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf
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GRI	STANDARD DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
14 TALENT MANAGEMENT					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	176-181, 445			
	103-3 Evaluation of the management approach	20-21, 166-167, 445			
GRI 404: TRAINING AND EDUCATION 2016					
	404-1 Average hours of training per year per employee	178-179, 445 Training hours averaged 6.9 hours per employee in 2020 (6.8 hours for female employees and 7.4 hours for male employees). The data pertaining to the number of training hours broken down by gender is available for 51 countries representing 99.85% of the Group's employees.		<input checked="" type="checkbox"/> Pg. 578-579	Principle 6
	404-2 Programs for upgrading employee skills and transition assistance programs	166-167, 176-181 94% of Group employees are under the age of 45, such that the Group does not face the prospect of having to deploy programmes for upgrading employee skills or transition assistance programmes in the near future.			
	404-3 Percentage of employees receiving regular performance and career development reviews	All of our people's performance is evaluated at least once a year and each brand conducts that process in keeping with its management model. Performance dialogue with store staff is continuous and centres around each person's contribution to store-specific objectives with a focus on career development, in line with one of our hallmark characteristics: internal promotion. In the case of office staff, target delivery and performance are reviewed with each person at least once a year, and objectives are set for the following year. Employee engagement includes dialogue aimed at fostering career development and getting feedback about employee concerns. Variable remuneration is fully tied to the Company's results and each person's contribution to their delivery. For further information about the annual performance review programme, refer to the 2020 Annual Corporate Governance Report, retrievable from: www.inditex.com/documents/10279/284661/2020+Annual+Corporate+Governance+Report.pdf			Principle 6
15 SOCIALLY SUSTAINABLE PRODUCTION ENVIRONMENTS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	50-56, 369-371			
	103-3 Evaluation of the management approach	20-21, 359-362, 430-433			
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016					
	414-1 New suppliers that were screened using social criteria	20-21, 352, 359-362, 431		<input checked="" type="checkbox"/> Pg. 578-579	Principle 2
	414-2 Negative social impacts in the supply chain and actions taken	362-365			Principle 2
OTHER DISCLOSURES: AUDIT PROCESS					
	AF2 Parties and personnel engaged in code of conduct compliance function	20-21, 236-241, 254-259 Compliance Programme: www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement			
	AF3 Compliance audit process	202-203, 254-259, 352			
	AF8 Number of audits conducted and percentage of workplaces audited	20-21, 352, 359-360, 362, 431-433		<input checked="" type="checkbox"/> Pg. 578-579	
OTHER DISCLOSURES: NON-COMPLIANCE FINDINGS					
	AF9 Incidents of non-compliance with legal requirements or collective bargaining agreements on wages	362			
	AF10 Incidents of non-compliance with overtime standards	362			
	AF11 Incidents of non-compliance with standards on pregnancy and maternity rights	362			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	AF12 Incidents of the use of child labour	362			
	AF13 Incidents of non-compliance with standards on gender discrimination	362		<input checked="" type="checkbox"/> Pg. 578-579	
	AF14 Incidents of non-compliance with code of conduct	362		<input checked="" type="checkbox"/> Pg. 578-579	
	AF15 Analysis of data from code compliance audits	362		<input checked="" type="checkbox"/> Pg. 578-579	
	AF15 Análisis de los datos derivados de las auditorías de cumplimiento del código	360-362			
OTHER DISCLOSURES: REMEDIATION					
	AF16 Remediation practices to address non-compliance findings	354-355, 359-365, 431		<input checked="" type="checkbox"/> Pg. 578-579	
16	CLIMATE CHANGE				
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	52-53, 156-161, 292-293, 296-301, 312-321 Inditex has a dedicated Energy Strategy (www.inditex.com/documents/10279/242114/Inditex+Global+Energy+Strategy) and is working to minimise its impact on climate change all along its value chain. To that end we are streamlining our logistics processes, promoting energy efficiency in our facilities and making progress on our commitment to using renewable sources of energy.			
	103-3 Evaluation of the management approach	52-53, 156-161, 292-293, 296-301			
GRI 302: ENERGY 2016					
	302-1 Energy consumption within the organization	20, 293-294, 296-303		<input checked="" type="checkbox"/> Pg. 578-579	Principle 7 and 8
	302-2 Energy consumption outside of the organization	294-295 For further information, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf		<input checked="" type="checkbox"/> Pg. 578-579	Principle 8
	302-3 Energy intensity	20, 292-293, 296-301			Principle 8
	302-4 Reduction of energy consumption	20, 292-293, 296-303, 319-321		<input checked="" type="checkbox"/> Pg. 578-579	Principle 8 and 9
	302-5 Reductions in energy requirements of products and services	20, 292-293, 296-303			Principle 8 and 9
GRI 305: EMISSIONS 2016					
	305-1 Direct (Scope 1) GHG emissions	294-296, 319-320, 436-437		<input checked="" type="checkbox"/> Pg. 578-579	Principle 7 and 8
	305-2 Energy indirect (Scope 2) GHG emissions	294-296, 319-320, 436-437		<input checked="" type="checkbox"/> Pg. 578-579	Principle 7 and 8
	305-3 Other indirect (Scope 3) GHG emissions	294-296, 319 For further information about Scope 3 GHG emissions, refer to the 2020 Consolidated Annual Accounts and the Statement on Non-Financial Information (Appendix IV), retrievable from: www.inditex.com/documents/10279/664163/Consolidated+Annual+Accounts+2020.pdf and www.inditex.com/documents/10279/664163/Inditex+2020+Statement+on+non-financial+information.pdf		<input checked="" type="checkbox"/> Pg. 578-579	Principle 7 and 8
	305-4 GHG emissions intensity	294-296, 437			Principle 8
	305-5 Reduction of GHG emissions	292-303, 319-321, 436-437		<input checked="" type="checkbox"/> Pg. 578-579	Principle 8 and 9

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
305-6	Emissions of ozone-depleting substances (ODS)	299, 356 There are plans in place to replace air conditioning units in existing stores with more efficient Class A units in order to ensure the non-emission of ozone-depleting substances. In addition, thanks to the ecoefficiency measures deployed across the Group's owned stores, the Group has unlocked significant savings in electricity, particularly in its HVAC systems, as the ecoefficient devices installed deliver energy performance and efficiency improvements of at least 20% compared to conventional equipment. Those specific energy efficiency initiatives, coupled with materialisation of our strategic commitment to renewable energy, have driven a reduction in the GHG emissions associated with our business activities.			Principle 7 and 8
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		Not applicable. We do not disclose information about other air emissions as they are considered non-material due to the characteristics of the devices and the equipment review frequency stipulated in prevailing legislation (controls are not necessary). The emission of particles deriving from transportation is generated by outsourced carriers so that this indicator is not applicable to the Group. Nevertheless, Inditex fosters enhanced emissions management and control in its value chain through the tool that enables calculation of emissions in accordance with the GHG Protocol, coupled with the definition of action plans.		Principle 7 and 8
OTHER DISCLOSURES: ENERGY					
AF21	Amount of energy consumed and percentage of the energy that is from renewable sources	20, 293-294, 299-303		<input checked="" type="checkbox"/> Pg. 580-581	
17 ENVIRONMENTAL FOOTPRINT MINIMISATION					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	70-71, 570-571			
103-2	The management approach and its components	52-53, 303-306, 356 The Global Water Management Strategy (www.inditex.com/documents/10279/241820/Global+Water+Management+Strategy_Inditex.pdf) contains a roadmap for achieving the sustainable and rational management of water and enhanced conservation of the environmental quality of freshwater and marine ecosystems. Inditex's detox commitment will similarly contribute to the sustainable use of water. For more information, refer to the dedicated website: www.wateractionplan.com			
103-3	Evaluation of the management approach	52-53, 303-306			
GRI 303: WATER AND EFFLUENTS 2018					
303-1	Interactions with water as a shared resource	304-305			Principle 7 and 8
303-2	Management of water discharge-related impacts	304-305, 356, 434-435 The water supplied to all workplaces, whether for processing or consumption, is withdrawn from authorised public supply networks, so that Inditex does not have any impact on protected habitats. Moreover, all of its water supply comes from areas experiencing low or no water stress.			Principle 8
303-3	Water withdrawal	304-305			Principle 8
303-4	Water discharge	305 For further information about water discharges, refer to the website: www.inditex.com/web/guest/our-commitment-to-the-environment/water			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
303-5	Water consumption	304-305 Inditex discloses information about water consumption at all of its offices, own factories, own logistics centres and all its own stores worldwide. The water supplied to all workplaces, whether for processing or consumption, is withdrawn from authorised public supply networks. Moreover, all of its water supply comes from areas experiencing low or no water stress.	The disclosure of water consumption in areas experiencing water stress is not applicable as Inditex's business is to distribute fashion garments (clothing, footwear and accessories) and home textile products, which it procures as finished products from its suppliers. In short, water consumption is not material on account of its business model and all of its water supply is sourced from areas that present low or no water stress. As for its suppliers, the Company has a number of policies and assessment and improvement programmes (e.g., Code of Conduct for Manufacturers and Suppliers, Green to Wear 2.0, etc.) designed to drive environmental sustainability across its supply chain.	<input checked="" type="checkbox"/> Pg. 578-579	
GRI 306: EFFLUENTS AND WASTE 2016					
306-1	Water discharge by quality and destination	304-305 For further information about water discharges, refer to the website: www.inditex.com/web/guest/our-commitment-to-the-environment/water			Principle 8
306-2	Waste by type and disposal method	262-281, 324-327 None of the waste generated is disposed of by deep well injection or stored on site.	The Company's systems are not currently capable of producing disclosures about the waste generated in its proprietary stores with the level of detail required. Inditex has a number of projects underway with the aim of being able to comply with this disclosure requirement by 2023.	<input checked="" type="checkbox"/> Pg. 578-579	Principle 8
306-3	Significant spills	There were no significant spills during the reporting period. In order to prevent spills in the supply chain, the Inditex Group has endorsed the Zero Discharge of Hazardous Chemicals initiative and adhered to the Changing Markets Foundation in relation to the manufacture of responsible and sustainable viscose all along its value chain. Framed by those initiatives, the Group is improving its use of chemicals, its waste processes and their management, so gaining greater control over the productive process. In that same vein, Inditex supports the Roadmap Towards Responsible Viscose & Modal Fibre Manufacturing championed by the Changing Markets Foundation.			Principle 8
306-4	Transport of hazardous waste	Inditex does not transport, import or export any of the waste classified as hazardous in the Basel Convention in any of the countries in which it operates.			Principle 8
306-5	Water bodies affected by water discharges and/or runoff	301, 304-305, 356, 363, 434 The water consumed by Inditex is withdrawn from municipal supply networks, in all instances with the corresponding government authorisations. In the event of incidents, Inditex analyses their root causes and searches for appropriate solutions. As a result, the organisation's water discharges and runoffs do not have a significant impact on water bodies and their habitats. As for its suppliers, and framed the pledge made in November 2012 to attain zero discharge of unwanted chemical substances by 2025, Inditex is working together with its suppliers under the scope of its "Water in the Supply Chain Master Plan" in order to promote the sustainable use of this vital resource. Since 2016, we have been providing the supply chain with technical training addressing the environmental assessment of the wet processes involved in the manufacture of textiles by our suppliers, providing them with technical skills for improving their environmental performance and thereby moving towards achieving more sustainable production and zero waste. To learn more, please visit www.wateractionplan.com , specifically the "Detox commitment" tab. www.inditex.com/web/guest/our-commitment-to-the-environment/water			Principle 8

GRI	STANDARD DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016					
	308-1 New suppliers that were screened using environmental criteria	20, 352, 359-363, 431		☑ Pg. 578-579	Principle 8
	308-2 Negative environmental impacts in the supply chain and actions taken	286-289, 359-360, 393-395		☑ Pg. 578-579	Principle 8
18 PROTECTION OF NATURAL RESOURCES					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	52-53, 306-309, 328-331 In its Code of Conduct, Inditex pledges to minimise the environmental impact of its products in respect of their entire life cycle. Inditex's Biodiversity Policy (www.inditex.com/documents/10279/242165/Inditex+Biodiversity+Strategy) sets down its biodiversity protection and conservation targets, which it defined following the principles established in the United Nations Convention on Biological Diversity and acknowledging the Work of the International Union for Conservation of Nature (IUCN). To guarantee application of this strategy, these principles are layered into the master plans of each of the key areas comprising the business model. The Inditex Group applies responsible production standards in relation to the use of products of animal origin. Inditex has a dedicated animal welfare policy (www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare) and a Biodiversity Strategy (www.inditex.com/documents/10279/242165/Inditex+Biodiversity+Strategy), which establishes management criteria for the entire value chain.			
	103-3 Evaluation of the management approach	52-53, 306-309, 328-331 Inditex's commitment to environmental responsibility includes ethical standards for the use of animal-based products. For further information: www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare			
GRI 304: BIODIVERSITY 2016					
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not applicable. The sites owned by Inditex are neither adjacent to nor located within protected areas or areas of high biodiversity value, so that its activities do not have a significant impact on biodiversity.		Principle 8
	304-2 Significant impacts of activities, products, and services on biodiversity	328-334			Principle 8
	304-3 Habitats protected or restored	Inditex is committed to protecting and nurturing biodiversity by means of responsible and sustainable management of natural resources. For further information, refer to the Group's Biodiversity Strategy and Forest Product Policy at the following link: https://www.inditex.com/documents/10279/242165/Inditex+Biodiversity+Strategy/b1954ead-d283-43f2-acff-31329f56879a and https://www.inditex.com/documents/10279/242216/Inditex+Forest+Product+Policy.pdf/10d1d257-b2f2-fc6a-ca71-e088b5b29020	Not applicable. Inditex's business is to distribute fashion garments (clothing, footwear and accessories) and home textiles, which it procures as finished products from its suppliers; as a result there are no habitats protected or restored as a result of its business activities.		Principle 8

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Inditex is committed to protecting and nurturing biodiversity by means of responsible and sustainable management of natural resources. For further information, refer to the Group's Biodiversity Strategy and Forest Product Policy at the following link: https://www.inditex.com/documents/10279/242165/Inditex+Biodiversity+Strategy/b1954ead-d283-43f2-acff-31329f56879a and https://www.inditex.com/documents/10279/242216/Inditex+Forest+Product+Policy.pdf/10d1d257-b2f2-fc6a-ca71-e088b5b29020	Not applicable. Inditex's business is to distribute fashion garments (clothing, footwear and accessories) and home textiles, which it procures as finished products from its suppliers; as a result, the organisation's operations have no direct impact on any habitats. As for its suppliers, the Company has a number of programmes (e.g., The List by Inditex, Green to Wear 2.0, etc.) designed to drive environmental sustainability across its supply chain.		Principle 8
19	PRODUCT SUSTAINABILITY				
	GRI 103: MANAGEMENT APPROACH 2016				
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	52-53, 335-339			
	103-3 Evaluation of the management approach	20, 331-332, 340-347, 434-435			
	GRI 301: MATERIALS 2016				
	301-1 Materials used by weight or volume	269-271, 324-334		<input checked="" type="checkbox"/>	Principle 7 Pg. 578-579
	301-2 Recycled input materials used	269-271, 324-334		<input checked="" type="checkbox"/>	Principle 8 Pg. 578-579
	301-3 Reclaimed products and their packaging materials	262-281, 324-326		<input checked="" type="checkbox"/>	Principle 8 Pg. 578-579
	GRI 416: CUSTOMER HEALTH AND SAFETY 2016				
	416-1 Assessment of the health and safety impacts of product and service categories	102-108, 335-347, 434-435		<input checked="" type="checkbox"/>	Pg. 578-579
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	102-108, 335-347, 434-435		<input checked="" type="checkbox"/>	Pg. 578-579
	OTHER DISCLOSURES: MATERIALS				
	AF18 Programmes to replace organic-based adhesives and primers with water-based adhesives and primers	269-271, 324-334, 356			
	AF19 Practices to source safer alternative substances to those on the restricted substances list, including description of associated management systems	269-271, 324-334, 434-435			
	AF20 List of environmentally preferable materials used in apparel and footwear products	269-271, 324-334, 356			
20	CIRCULARITY				
	GRI 103: MANAGEMENT APPROACH 2016				
	103-1 Explanation of the material topic and its Boundary	70-71, 570-571			
	103-2 The management approach and its components	262-281			
	103-3 Evaluation of the management approach	20-21, 52, 262, 266, 269-275			

The Annual Report 2020 provided information under the terms of the triple economic, social and environmental dimension.

The Annual Report is fully available on the corporate website (www.inditex.com), where additional useful information may also be accessed.

The English translation of this Annual Report has been reviewed by the Centre for Business and Public Sector Ethics of Cambridge (www.ethicscentre.org).

Contact details

Shareholders office

accionistas@inditex.com

Phone: +34 901 330 212

Fax: +34 981 185 365

Investors Relations Department

r.inversores@inditex.com

Phone: +34 981 185 364

Fax: +34 981 185 365

Communication and Corporate Affairs Division

comunicacion@inditex.com

Phone: +34 981 185 400

Fax: +34 981 185 544

Inditex S.A. Edificio Inditex

Avda. de la Diputación, s/n

15452 Arteixo, A Coruña, Spain

+34 981 185 400

www.inditex.com

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Communication and Corporate Affairs Division

Inditex S.A.

Avda. de la Diputación, s/n

15142 Arteixo

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