

4.3.

Innovation, vital for transformation

Innovation, a linchpin for transformation, is built into Inditex's DNA. Ongoing improvement stems from our ambition to satisfy our customers in every aspect of their relationship with us. The convergence of technology and our open innovation model, which fosters the recruitment of talent and the attraction of ideas, enables us to ensure the success at every stage of the shopping experience.

4.3.1. Collaborative and transformative innovation

GRI 103-2 AND 103-3

Innovation is the transversal cornerstone upon which all the Company's actions are based. Collaborative and transformative innovation designed by and for people, with which we aim to be **more creative, agile, efficient, respectful and sustainable** both in our relationship with customers and with our the environment.

Our innovation activity is aimed at **improving the customer experience and strengthening customers' trust** every time they choose us. This trust is based on the efficiency of our processes and the quality of our products. But we are mindful that it also stems increasingly from such important intangibles as sustainability, health and care of our people, the community and the planet.

Innovation is crucial to achieving a sustainable transformation of the industry. Accordingly, our innovation model is **cross-cutting, flexible, collaborative and open**, not only to all the Company's areas and people, but to any organisation, entity or person with a different idea or disruptive proposal that helps build a better and more sustainable present and future.

Inditex's capacity for innovation and transformation is evidenced by the numerous projects that the Group has underway, some of them as a continuation of processes initiated in previous years, others entirely new. These initiatives permeate all the Company's areas and levels and every stage of our value chain (design, manufacturing, transport, logistics, distribution, sales, product use, circularity and end-of-life), each of which has its own part to play.

4.3.2. Innovation to improve our customer experience

GRI 103-2 AND 103-3

Our customers are at the heart of our innovation activity. Harnessing technology and talent, we design, create and connect people, processes and spaces to ensure customers are fully satisfied with their experience when they choose us, regardless of which channel they opt to use. With this goal in mind, our efforts are always aimed at guaranteeing three aspects: **full availability** of our articles, **ease and efficiency** of all our processes and services, and real and satisfactory **integration** of our sales channels.

2021 MILESTONE

The constant thread of innovation throughout our history has led international consultant Boston Consulting Group to rank Inditex among the 50 most innovative companies in the world in its Most Innovative Companies 2021 report.



To achieve this, we are committed to a flexible, adaptable and dynamic innovation model based on agile methodologies and principles, to maximise the value of our innovation at every stage of our activity. A good example of this is the **technological development of our store management systems**.

Our latest upgrades in this sphere have enabled us to improve day-to-day operations at our stores in such important areas as stock management, distribution, transport, labelling, etc. In this regard, novel technological solutions such as RFID alarm tags or the Pay&Go payment system make for a speedier and more efficient experience for the stores and for our customers, who require increasingly demand greater personalisation.

Full availability

Our goal is to ensure that our articles are always available wherever and whenever customers need them. To achieve this, we are constantly redefining all the processes that make up our business model (design, manufacturing, purchasing, transport, logistics, distribution and sales) in order to adapt them and evolve them in accordance with the needs our customers and the environment are demanding.

2021 MILESTONE

Massimo Dutti launches the new Shop&Go service, which allows customers to use their own mobile phones to make in-store purchases, thus offering customers new ways of shopping and enhancing in-store experience.

The **coordination and synchronisation** of these processes is grounded upon advanced analytical tools and cutting-edge technologies such as machine learning and IoT. These tools enable us to pinpoint customers' needs and propose the measures needed to fulfil them, from the start of the distribution chain to the commercial and operational management of the stores.

For example, to ensure that customers find the items they are looking for, we have developed models to identify in which stores they are most likely to



find them. We can then estimate the volume of initial shipments required for each store, forecast the demand curve and thus determine the necessary stock to guarantee availability. In this respect, this year the Company has developed a **new model to calculate** the number of units to be included in the first shipment to optimise the success of the initial shipment and prevent stock-outs.

Also, another model has been developed in collaboration with MIT (the Massachusetts Institute of Technology), which has consisted of developing a 'dynamic coverage' model to ensure the service level for customers, reducing the safety stock necessary at each store.

Related to sales management in stores, our **retail tool** enables us to adapt in-store product exposure to our customers' demand, by means of notifications and through the use of information on comparable articles and stores. Another application of this technology to our integrated management model is in the movement of units not in demand in physical stores but very likely to be sold online.

In addition to applying the latest technology for store management, in 2021 we have also made considerable strides in its application to warehouse management. Specifically, we have started developing an **empirical IoT model** to comprehensively control **logistics and distribution in the supply chain**, with a particular focus on the process for warehouse management control, crucial to guaranteeing the availability of our articles.

Over the course of this year, another two projects have been key to ensuring customers enjoy full availability of our articles and services: **Autonomous Mobile Robots (AMR/AGVs) and automated sorter induction**.

We used AMRs to automate Zara.com e-commerce stock at the Marchamalo centre. Through the design and roll-out of a Goods to Person (GTP) solution based on **AMR technology**, 500 autonomous robots support the operators in tasks linked to the receipt, storage, picking and auditing of the centre's stock. The robots move 13,500 shelves storing a total of 4.5 million units. While operating, they reliably bring the shelf chosen by the Warehouse Management System (WMS) to the operators, with the articles required in each case. Thus, the operators need to cover less distance to perform their work, boosting productivity and enhancing the quality and experience of their role.

IOP (INDITEX OPEN PLATFORM)

enables us to respond to the Group's requirements of flexibility, speed and performance.

At the same time, as early adopters of any technology that can help improve our customers' end experience, we have launched the **Automated Sorter Induction** project, the Company's first pilot automated induction initiative for folded garments in package sorters.

This is state-of-the-art technology that identifies and sorts the garments that will subsequently be entered into the system, which has required advanced artificial intelligence systems underpinned by research at some of the world's leading technological centres.

Integration: all in a click

We want our customers' shopping experience to be easy and efficient, and, therefore, satisfactory throughout. Customers should find what they want, when and where they want it.

In the current context of transformation, shaped by the unstoppable advance of technology and by the socio-economic circumstances resulting from the covid-19 pandemic, the integration of the physical and digital worlds has been pivotal for Inditex. We see this integration from a holistic standpoint that encompasses strategy, processes, data, structure and people, and rests on our technological platform, **Inditex Open Platform (IOP)**.

IOP is a living platform that is constantly being evolved, continually adding new functionalities that enable us to offer an integrated experience so that our customers can shop as they choose: in-store, online or easily and transparently combining the two with a simple click.

Its open and modular design enables all the Company's areas to adapt their processes to customers' needs in real time and to respond to their preferences, contributing to our aim of improving their experience. In fact, IOP enables us to respond to the Group's requirements of **flexibility, speed and performance** by constantly adopting **new technologies, work practices and organisation**.

From a technological standpoint, its architecture of independent but interconnected micro-services can be integrated with next-generation business modules to make applications easier to scale and faster to develop.

When it comes to work practices, the application programming interface (API) and the adoption of internal, open-source code boost collaboration between Inditex teams and make for a more seamless collaboration with third parties, be they major software organisations or individuals with singular knowledge of specific applications.

Moreover, they enable us to offer a friendlier culture for our developers, giving them greater insight into the value they provide to our customers and increasing our capacity to attract talent.

Some examples of how the Inditex Open Platform improves integration that can be seen directly by our customers are the Store Mode, Pay&Go and Shop&Go functionalities.

Throughout the year, we have launched and refined numerous projects to offer a more agile shopping experience. In this sense, Massimo Dutti's new Shop&Go service stands out, which allows customers to make purchases from their mobile phone without going through the checkout, also choosing where and how to receive their garments. In addition, we have also made a mobile point of sale available to our customers in stores to provide a complete shopping service for the launch of new spaces such as Zara Beauty or new collections such as Zara Origins.

4.3.3. Technology for boosting the efficiency of our operations

GRI 103-2 AND 103-3

Our capacity for change has a great deal to do with technology. The digital transformation we have been undertaking in the last few years, and in particular in 2020 and 2021—despite the covid-19 pandemic—enables us to develop initiatives and projects that place us at the forefront of the industry in purely technological aspects such as channel integration, anticipation of demand and stock management. It also gives us the edge in other, more intangible areas, such as the well-being of our people and communities and care for the planet.

To achieve this we harness state-of-the-art technology: artificial intelligence, machine learning, cloud computing, IoT, Business Analytics, and so on. We

develop or adapt it to suit our business objectives and place it at the service of our customers and our people. In fact, technology is the link in the chain that enables us to complete the circle of collaborative innovation. In other words, to materialise the ideas that emerge in all the Company's areas.

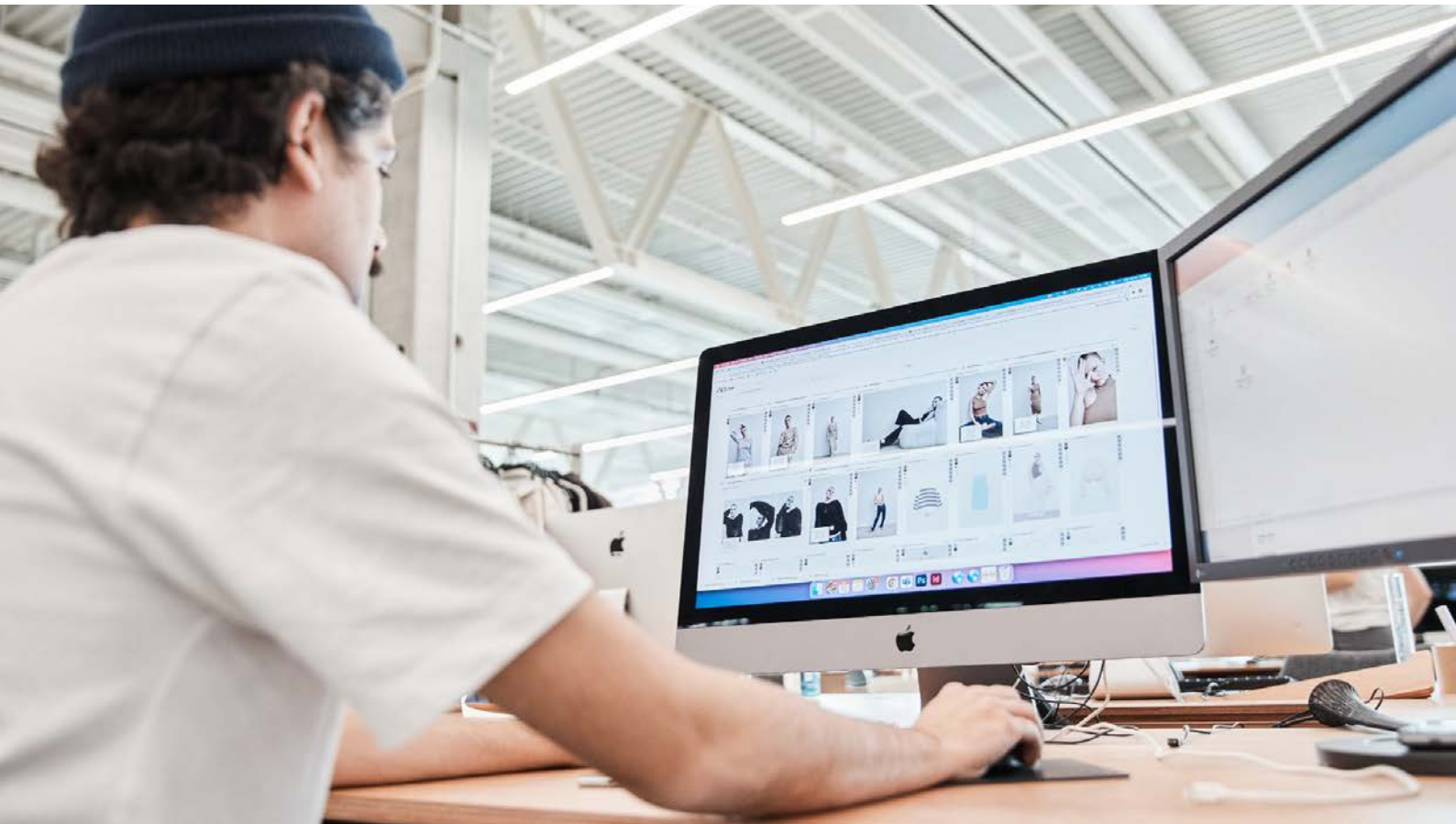
A reflection of our constant commitment to the search for the latest innovations and technological applications is the launch at the end of 2021 of our Open Innovation Logistics Hub. With this initiative we pursue the creation of a structured model of open innovation in relation to the latest technologies and innovative solutions in the logistics area. Through the Hub, relationships are established with all the actors in the ecosystem - such as start-ups, research centers and universities, entrepreneurs, technology companies and even other companies - to enhance the innovative capacity of the industry and collaborative development in a sustained manner in the long term.

Flexibility, agility, scalability, resilience, integration, security and learning are the terms that best define our day-to-day reality on the technological front and lend meaning to our purpose. The **latest developments in systems in the Operations area** are evidence of this. In 2021 Inditex launched a transformation process which, based on data provided by the various tools and systems of which the Company's technological ecosystem is comprised, improves the experience of both application developers and customers in stores. Examples include creating applications to control the number of people inside stores and oversee virtual queuing so that customers do not have to wait in person, or improving the operating efficiency of the store devices to prevent waiting times.

But our technological advances have not focused solely on the Operations area. **The latest developments in data management systems**, consisting of the technological transformation, evolution and creation of tools and disruptive data collection systems, and data management and analysis, which help us to make smart decisions based on data that is updated daily at the global level.

In this regard, our **Data Processing Centre (DPC)** is an unrivalled benchmark of our capacity to innovate for ourselves, our customers and the environment. The technology deployed at the new DPC also reduces energy consumption and, therefore, boosts energy efficiency.

The new DPC extracts the very best performance and stores all the data handled by the Company in keeping with the most stringent security standards. The building is certified to Uptime TIER IV Design



and Build standards, ensuring maximum reliability and availability, and an infrastructure that is fully outage-tolerant, with duplicate electric power and climate control systems. Furthermore, as part of Inditex's commitment to the environment, the DPC uses green technology with a Power Usage Effectiveness (PUE) score of under 1.3 (1.0 indicates 100% efficiency), thanks to the deployment of best practices and the optimisation of infrastructure.

Also equipped with state-of-the-art and sustainable technology, **the new Zara.com building** represents a milestone in terms of architecture and advanced communications. 5G and wifi 6 coverage make communications up to 10 times faster and more reliable than using LTE (Long-Term Evolution). Thanks to wifi 6, scope and coverage are very high, optimising the performance of all devices connected to the network.

Automation is one of the goals of implementing technology. Over the course of 2021, we continued or launched projects to significantly improve our operating processes. The **automatic restocking of material in stores** is one such initiative. The new model will replace requests that are currently handled manually by stores with a refined algorithm to calculate the stores' requirements. This will reduce the administrative burden in stores and central services alike. At the same time, we have enhanced the **traceability and receipt** process for material ship-

ments so as to know their real-time location and make the process of receiving them in stores more agile and accurate using mobile scanning.

With a view to optimising processes, we have developed a comprehensive **advanced facility management system** which, by integrating our current tools for managing incidents, maintaining infrastructure and using Inergy, expedites the operating, administrative and financial management of

2021 MILESTONE

The new Zara.com building was inaugurated in 2021. These facilities, spanning more than 67,000 m² and featuring the latest advances in technology and sustainability, house the new Zara.com studios and the Design Centre for Zara Man. The new building is a milestone for advanced communications, with 5G and wifi 6 coverage to achieve communications up to 10 times faster and more reliable than using LTE (Long Term Evolution). Thanks to wifi 6, scope and coverage are very high, optimising the performance of all devices connected to the network.



store facilities. Accordingly, incident management uses a parametrised traffic light system incorporating automatisms to swiftly identify and resolve incidents based on their criticality. It also affords us the capacity to anticipate incidents in certain assets; in other words, predictive maintenance.

Our commitment to technology also encompasses our relations with suppliers, control of raw materials and of energy, and even the development of new messaging and communications technologies, such as the **Inline** project to eliminate the use of telephones, freesets and walkie-talkies in stores.

The Group's constant efforts to achieve full digitalisation have led us to focus strongly on two clearly

defined aspects: improving the real-time availability and accessibility of information; and securing 100% effective integration of our applications, also making them mobile.

With this in mind, over the course of this year, we have **migrated** our information systems to the **cloud**, moving from a segregated repository to one that is centralised, much more effective and in keeping with business needs. This migration also enabled us to evolve the system, allowing us to provide each area of the Company with the data it needs in real time, thereby facilitating decision making. The new system encompasses more than 100 collaborative cloud workspaces.

The availability of real-time data has also enabled us to launch another two projects: **ONE, for real-time sales tracking**, and the **integrated store management tool**, to show stores the sales indicators most relevant for them in real time.

4.3.4. Projects and tools for our people

GRI 103-2 AND 103-3

Innovation is a crucial value at Inditex that helps us to strengthen the trust that both customers and the people who work directly or indirectly with the Company have placed in us. Innovation enables us to research, develop and realise a multitude of projects with which, ultimately, we aim to improve the quality of life of **our people and the communities** Inditex relates to.

We put a premium on fostering values as important for us as sustainability, diversity, responsibility and transparency, harnessing technology and the know-how of our human capital for this purpose.

Our people

The people who work at the Group are key to placing all of our innovative skill at the service of customers, but also to keep learning, progressing and growing. Accordingly, in 2021 we have devised several initiatives linked to unlocking their potential and nurturing their talent in a wide range of spheres. One example of this is the launch of the **Inditex Careers chatbot** in Instagram. This recruitment chatbot helps candidates to register for our job vacancies and set up their profile in Inditex Careers in a simple, fast and friendly way.

People are crucial for achieving our innovation potential.

Also in connection with recruitment, this year we have opted to **digitalise interviews** via Team Plays, online interviewing and the VideoAsk extension for external candidates, as well as the processes

of **on-boarding and digital contract signing**, the former implemented in stores in Spain, and the latter in Spain, the Netherlands and Germany.

In the realm of training, our commitment to digitalisation paved the way for the international launch of the **Tra!n** learning platform, a virtual, modern and agile space to which our teams worldwide can connect. There they can access a broad range of training content such as product and fashion, culture and values, health and safety or sustainability, among others. The content is produced both internally, harnessing and sharing the know-how of our staff, and in partnership with leading educational institutions.

More information in section 5.1. We are collaborating with our people, the engine of that transformation of this Report.

Furthermore, to improve our people's health and ergonomics and to optimise their time, we have implemented an **automatic rotation system in logistics tasks** which, based on our Orquest staff scheduling tool and on artificial intelligence, switches the duties performed by operators at distribution centres.

Well-being at our headquarters

Innovation enables us to boost well-being at our headquarters in the broadest sense: comfort, efficiency, sustainability, architecture and occupational health, among others, and we have implemented a number of projects at all of them in 2021. Examples include the **latest construction techniques and architectural concepts aimed at achieving maximum environmental efficiency** in buildings and headquarters, while at the same time boosting the comfort and, as a result, the quality of life of the people using them.

Likewise, the Company has undertaken research into **new building solutions for developing smart, sustainable and efficient offices**. On this basis, we have refurbished the Bershka headquarters, applying wholly innovative proposals for employee comfort and for optimising their daily activity, while at the same time meeting strict efficiency and sustainability requirements. The building required a series of technological updates, such as the specific design of structural components to ensure top-quality acoustic properties, or the design of a highly energy-efficient lighting system. Both of these signalled a key scientific and technical improvement for the Company.

We are a community

Social innovation is a part of who we are. Our goal is to develop and apply solutions to satisfy social needs in an efficient and sustainable way. In this regard, our community investment programme is structured around three main axes: identifying new social needs, developing solutions to help respond to them, assessing their efficacy and extending those initiatives that have proven to be effective.

Our work for the community would not be possible without the direct engagement of stakeholders such as local and international organisations, governments, trade unions, academic institutions and representatives of civil society. Consequently, we establish partnerships with each of them that enable us to join forces and launch innovative initiatives in fields as varied as research into new diseases, improvement in the provision of water and sanitation in developing countries, and research programmes in the field of education and the social economy.

The Zara Tribute project represents a social initiative aligned with our commercial activity, based on the launch of limited edition collections linked to social causes. Zara's first Tribute collection, called "Icons by Peter Lindbergh", is a project that features iconic photographs by legendary photographer Peter Lindbergh and curated by creative director Fabien Baron. 100% of the proceeds from this collection go to the Franca Sozzani Fund for Preventive Genomics, with the aim of financing the Global Babyseq initiative, a human genome sequencing project that seeks to support research and innovation in predictive medicine in collaboration with Brigham and Women's Hospital and Harvard Medical School.

And in the medical field, our alliance with Doctors Without Borders is also framed. We invest in research projects for the response to new diseases and the development of new care protocols that contribute to the improvement of community well-being. During 2021, projects such as POCUS (point-of-care ultrasound), Patient Multimedia Engagement toolkit or the Mobile Outbreak Lab, among others, have stood out for their innovation.

① More information in section 5.7. *We are collaborating to generate value in the community of this Report.*

Lastly, in 2021 we undertook two initiatives of significance for the Company linked to people in our supply chain and, therefore, in the field of social sustainability: arranging the use of a **tool to measure projects' social impact and**, as a result, to **standardise project management in the supply chain.**

4.3.5. Projects for the planet

GRI 103-2 AND 103-3

For Inditex, it is a non-negotiable pre-requisite that our innovation must positively impact the planet for the present and future. We are convinced we must innovate not only in aspects directly linked to our Company, but taking a 360° approach aimed at developing solutions to allow us to help preserve the planet for generations to come.

In this context, a key aspect for us is to be able to implement our environmental solutions throughout our supply chain, for which purpose, again, we establish strategic partnerships with our collaborators.

Our actions in innovation to minimise our impact on the planet encompass a broad range of goals: reducing polluting emissions, water and textile consumption and cutting the carbon footprint. We structure these actions upon two main axes: **circularity, and safe and sustainable products.**

Circularity

The circular economy drives us. We are constantly seeking tools and solutions that help us minimise the negative impacts of our activity throughout the life cycle of our products: fibres, processes, use and end of life. With this in mind we set up the **Sustainability Innovation Hub**, our open innovation platform, a fundamental reference underpinning our respectful approach to the planet. Through this platform we tirelessly seek and develop new and more sustainable raw materials and fibres and, in many cases, we do so through collaborations with cutting-edge start-ups involved in multiple aspects of textile production: materials, processes, end of life, micro-plastics, traceability, etc. In fact, some of the most disrupt-



Our commitment to innovation throughout the value chain and life cycle of our products is aimed at fostering and supporting the achievement of our sustainability objectives.

tive projects to have emerged in 2021 were a result of such collaborations. For example, **LanzaTech**, an initiative in the field of research into raw materials.

📄 More information in section 5.4. *Collaborating to transform through sustainable management of our products of this Report.*

We have also reached a number of agreements resulting in collaborations, such as the one with the accelerator **Plug and Play** to identify those startups that best contribute to our main objectives and organise work with them; the agreement with the innovation platform called **Fashion for Good**, in which we work with other major players in the fashion business to foster the acceleration of sustaina-

bility projects in the sector; and our partnership with **Quantis** to build on its experience in life cycle analysis and use its impact measurements with the startups we partner.

Safe and sustainable manufacturing

Making our products in a safe and sustainable manner is non-negotiable for Inditex. Products must be safe for both the people who make them and those who receive them, our customers, and must also be environmentally sustainable. To achieve this, the Company works with leading technology and



science companies, and internationally renowned technological experts, to better understand the properties of the substances that may be present in the processes and of the chemicals used throughout the manufacturing chain, and to take any appropriate action.

Within this framework of cooperation, in 2021 we commenced industrial partnerships with leading companies in the industry enabling us to fast-track the incorporation of disruptive solutions. Specifically, global research partnerships were established in science with **BASF** and in technology with **EPSON**, both grounded on their commitment to sustainability, leadership, multi-sector know-how and their R&D capacity.

BASF-Inditex. The understanding and establishment of synergies between both companies has allowed us to work together in a **sustainable technology for domestic laundering** aimed at mitigating microfibres; obtaining **sustainable solutions in wet processes**

(dyeing and printing); the joint exploration of **sustainable materials and fibres**, alternatives to the existing ones; and the design of a joint R&D agenda in recycling technologies (mechanic, chemic and biologic) as a reference solution for the industry.

① More information in section 5.4.5. *Use and end-of-life of products of this Report.*

EPSON-Inditex. Throughout 2021, the collaboration with this multinational has allowed to jointly prepare and validate, as a proof of concept, the technological and scientific bases necessary for the design and development of the R&D and innovation agenda in technologies of digitalization of wet processes as a reference solution in the Industry.

In the field of chemical safety, the Company, in partnership with *Universitat Pompeu-Fabra* and the University of Santiago, launched a joint action known for the development of computational methods and tools to characterise chemicalsafety in the compounds used in the textile and leather industry. This is



an extraordinarily innovative project because, for the first time, a database was built to facilitate access to all the available information on this topic.

Improving the health and safety of our products is also the aim of another three projects launched in 2021 as a result of our RD&I: the **latest update of our Clear to Wear (CTW) standard**, which involved evaluating more than 1,800 substances with particular attention to their impact on the environment and human health; the rollout of a **guide to best manufacturing practices for products in contact with food**, to ensure that any product or item that will enter into direct or indirect contact with food is safe enough to prevent the transfer of harmful substances that might endanger human health; and, lastly, the creation, in conjunction with the University of Lleida, of a **method to detect volatile perfluorinated compounds (PFCs)** in textiles and chemicals to comply with the most stringent limits.

① More information in section 5.4.4. *Health and safety aspects of products of this Report.*

4.3.6. Secure information, safe privacy

GRI 103-2 AND 103-3

In the current framework of digital transformation, in which changes ensue quickly and constantly, information is the fuel that drives the machinery of any industry. Mindful of its importance and of the pre-eminent role of data security, at Inditex we are committed to the continuous improvement of our security management model and we invest in harnessing the latest technologies and cutting-edge controls to keep our own and our customers' data safe.

Consequently, in 2021 we have further strengthened our plans, systems and controls for remote working, and the associated risks, derived from the global covid-19 pandemic, and we have also finalised the Next Generation Cybersecurity strategic plan to optimise the maturity of our **Information Security** programme and, at the same time, identify the Company's needs and challenges for the coming years.

With regard to the sharp increase in cyber-attacks worldwide, which have not had an impact on our Company, new working groups were set up under the supervision of the Information Security Committee to continue designing and implementing fresh initiatives such as the **Supply Chain – Third-Party Risk Management** programme, focusing on the impact of cybersecurity in the supply chain.

The increase in global cybersecurity incidents against supply chains has underscored the need to establish controls in this regard. Accordingly, Inditex has bolstered its control programmes, including a specific review regarding the method of access, use and management of Inditex suppliers' information. Mindful, furthermore, that the human factor is one of the weakest links in terms of information security, we have implemented a number of training and skill-building initiatives to gauge their performance in security.

Moreover, the change in the traditional, on-premises technological model to the new cloud focus has required new approaches to ensure maximum information security and, at the same time, to enhance the user experience. These are precisely the two pillars on which our **Zero Trust-Road to passwordless** programme rests, paving the way for passwordless connection to services.