

5. Collaborating to have a positive impact

We face a positive paradigm shift involving many actors who, together, can bring about the sustainable transformation of our industry. Our people are pushing us to pursue this change. And us, we are striving to help our suppliers grow and to continue generating value in the communities where we operate. Furthermore, we see sustainability as the opportunity to align economic progress with a positive impact on people and on the planet.

5.1. Collaborating with our people, the engine of that transformation | **5.2.** Collaborating with our customers, the force driving transformation | **5.3.** Collaborating with our shareholders, allies in transformation
5.4. Collaborating to transform through sustainable management of our products | **5.5.** Collaborating so our suppliers grow | **5.6.** Collaborating to safeguard the planet | **5.7.** Collaborating to generate value in the community | **5.8.** Fiscal responsibility and transparency | **5.9.** Good governance, corporate ethical culture and solid compliance architecture | **5.10.** Responsible risk management



5.1.

Collaborating with our people, the engine of that transformation

Related material topics: Stakeholder engagement; Innovation; Diversity, Equality and inclusion; Quality of employment; Human Rights; Safe and healthy environments; Talent management.



Our team of people, their talent and their energy are the real drivers of our transformation. Accordingly, at Inditex we foster opportunities for development and training, with the aim of contributing to the professional and personal growth of all our people.

People are Inditex's core value. We trust them fully to support the growth of our Group. It is our people who convey their enthusiasm and passion for responsible fashion to our customers, and who enable us to constantly reinvent ourselves and tackle new challenges.

Five principles guide Inditex in its aim to achieve **sustainable people management**: our **culture** and the **values** we share and nurture; the **diversity** of our teams and **equal** opportunities; our unwavering commitment to **talent**, in particular professional growth and internal promotion; creating **quality**, stimulating, stable and safe **workplaces**; and guaranteeing the **safety, health and well-being** of our teams.

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

GRI 103-2; 103-3; 102-8; AF32; 404-2; 405-1; 405-2; 406-1; 401-3 AND AF23

5.1.1.1. About us

At the close of 2021, our Group comprised a team of **165,042 people, located in 60 different markets and representing a total of 177 nationalities** (144,116 people, 60 markets and 171 nationalities in 2020; 176,611 people, 60 markets and 172 nationalities in 2019; 174,386 people, 60 markets and 154 nationalities in 2018).

Our organisation is characterised by four main features:

- Generational and gender diversity
- International presence
- Horizontal organisation
- A customer-centric approach

Firstly, Inditex is a company characterised by **gender and age diversity**. Women **account for the majority**, although the proportion of women to men

has been gradually evening up over the last decade, with 76% of our workforce being women, compared to 24% men (76% and 24% in 2020, 76% and 24% in 2019, and 75% and 25% in 2018, respectively). With regard to age, Inditex's workforce is distinguished by its **generational diversity**. Teams within the Company are currently made up of employees of different generations, the youngest groups being the largest. The average age is 29.3 years old (30.1 years in 2020; 28.9 years in 2019; and 28.7 years in 2018).

Secondly, we are a notably **international workforce**, with staff employed in 60 markets. This circumstance enriches our people management, as we can focus on the local reality of each market, while applying global management policies. Spain, with 46,075 employees, accounts for 28% of the total workforce.

Thirdly, Inditex's **horizontal organisation**, favours open and continuous communication and collaborative work. Our approach to job classification is broad, with store employees having a special relevance in this classification.

Lastly, Inditex is a **customer-centric** organisation. Stores, where 86% of our people work, play a paramount role in our Organisation, in which online teams have also grown exponentially in the last few years. The rest of the Group's activity areas (factories, logistics and central services) serv the integrated store and online platform of our eight brands, which are made up of over 6,000 stores.





OUR PEOPLE IN 2021

165,042

PEOPLE



DISTRIBUTION BY ACTIVITY

	2021		2020		2019		2018	
	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%
Store	143,592	86%	123,660	86%	154,465	87%	152,057	87%
Central services	11,283	7%	10,844	7%	11,386	6%	11,547	7%
Logistics	9,439	6%	8,862	6%	9,932	6%	9,929	5%
Factories	728	1%	750	1%	828	1%	853	1%
Total	165,042	100%	144,116	100%	176,611	100%	174,386	100%

DISTRIBUTION BY AGE

Years	2021		2020		2019		2018	
	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%
< 30	95,752	58%	77,597	54%	107,042	61%	107,639	62%
30-40	46,115	28%	45,792	32%	49,336	28%	48,709	28%
> 40	23,175	14%	20,727	14%	20,233	11%	18,038	10%
Total	165,042	100%	144,116	100%	176,611	100%	174,386	100%

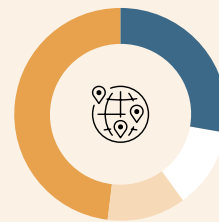
DISTRIBUTION BY GEOGRAPHY

	2021		2020		2019		2018	
	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%
Americas	19,888	12%	16,788	12%	19,749	11%	20,785	12%
Asia and Rest of the world	16,460	10%	17,215	12%	23,541	13%	23,452	13%
Spain	46,075	28%	40,279	28%	48,687	28%	47,930	28%
Europe (ex-Spain)	82,619	50%	69,834	48%	84,634	48%	82,219	47%
Total	165,042	100%	144,116	100%	176,611	100%	174,386	100%

DISTRIBUTION BY GENDER

	2021		2020		2019		2018	
	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%
Women	124,993	76%	109,323	76%	133,465	76%	131,385	75%
Men	40,049	24%	34,793	24%	43,146	24%	43,001	25%
Total	165,042	100%	144,116	100%	176,611	100%	174,386	100%

MARKETS

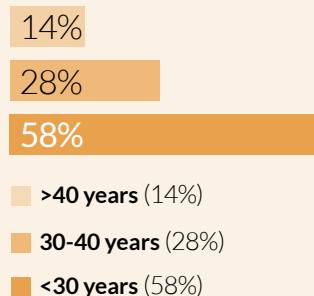


- Spain**
46,075 (28%)
- Europe (ex-Spain)**
82,619 (50%)
- Americas**
19,888 (12%)
- Asia and rest of the world**
16,460 (10%)

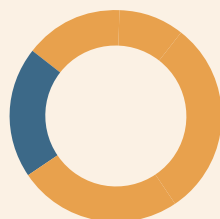
177

Nationalities

AGE



24%
MEN



76%
WOMEN

DISTRIBUTION BY PROFESSIONAL CLASSIFICATION

	2021		2020		2019		2018	
	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%
Management	11,890	7%	12,591	9%	10,473	6%	7,601	4%
Supervisors	15,367	9%	16,480	11%	19,779	11%	20,350	12%
Specialists	137,785	84%	115,045	80%	146,359	83%	146,435	84%
Total	165,042	100%	144,116	100%	176,611	100%	174,386	100%

* The description of the functions of the three professional classification groups is:

Management: employees in management positions with responsibility for interdisciplinary working groups related to the areas of design, manufacturing, distribution, logistics, stores, technology, sustainability and other general services. Store managers are included in this category.

Supervisors: employees who are part of interdepartmental and transversal working groups for design, logistics and stores, as well as sustainability, technology and other general services.

Specialists: employees with 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.

DISTRIBUTION BY MARKET

EUROPE (EX-SPAIN)

	2021	2020	2019	2018
Albania	249	221	243	263
Germany	4,684	4,753	5,531	5,874
Austria	1,334	1,253	1,455	1,477
Belgium	2,929	2,562	2,945	2,818
Belarus	350	278	290	298
Bosnia-Herzegovina	369	314	424	360
Bulgaria	663	600	716	733
Croatia	1,041	923	1,160	1,078
Denmark	309	292	329	335
Slovakia	443	305	359	302
Slovenia	235	235	276	267
Finland	240	249	260	269
France	10,315	8,729	10,030	9,414
Greece	4,004	3,639	4,278	4,014
Hungary	1,116	818	1,126	1,067
Ireland	958	743	854	882
Italy	8,794	6,890	8,626	8,600
Kosovo	245	215	211	157
Luxembourg	325	300	318	179
North Macedonia	289	132	154	155
Monaco	39	39	39	36
Montenegro	143	99	128	123
Norway	392	363	386	383
Netherlands	2,701	2,536	3,018	2,856
Poland	4,239	4,040	4,679	4,617
Portugal	6,572	5,050	7,247	7,001
United Kingdom	6,547	4,398	5,429	5,486
Czech Republic	605	505	700	643
Romania	2,532	2,238	3,027	2,864
Russia	10,148	9,119	10,696	10,365
Serbia	894	656	736	742
Sweden	754	736	844	833
Switzerland	1,479	1,478	1,564	1,506
Turkey	5,258	3,956	5,166	4,896
Ukraine	1,424	1,170	1,390	1,326

ASIA AND REST OF THE WORLD

	2021	2020	2019	2018
Australia	1,763	1,501	1,636	1,504
Bangladesh	71	62	59	57
Cambodia	4	4	6	4
Mainland China	5,838	7,113	11,169	11,680
Hong Kong SAR	627	558	1,020	1,252
Macao SAR	75	105	170	181
Taiwan, China	447	498	626	649
South Korea	1,438	1,269	1,673	1,514
India	1,300	1,173	1,294	1,227
Japan	3,247	3,488	4,314	3,979
Kazakhstan	989	746	779	723
Morocco	38	34	26	16
New Zealand	112	119	115	99
Pakistan	3	2	2	2
Singapore	4	4	4	4
South Africa	490	524	633	548
Vietnam	14	15	15	13
Total	16,460	17,215	23,541	23,452

SPAIN

Spain	46,075	40,279	48,687	47,930
Spain-workforce, permanent contracts	37,657	36,627	36,632	35,745

AMERICA

Argentina	795	848	872	885
Brazil	2,219	2,418	2,849	2,810
Canada	2,564	2,077	2,595	2,466
Chile	1,018	726	871	878
United States	6,897	5,080	6,310	6,267
Mexico	6,081	5,334	5,897	7,137
Uruguay	314	305	355	342
Total	19,888	16,788	19,749	20,785

5.1.1.2. Diversity and Inclusion Policy

Inditex's commitment to **diversity and multiculturalism** is one of our strengths. Our goal is to build diverse teams made up of people of different profiles, cultures, backgrounds and experiences, as part of an inclusive corporate culture that fosters equality of opportunities and zero tolerance to all kinds of discrimination. We believe that nurturing this culture of inclusion and respect makes us a more competitive, creative and innovative company. Therefore, our teams are composed of people of different gender, gender identity and expression, sexual orientation, race, ethnicity, age, education, socio-economic status, disability or religion, among others.

Inditex advocates globally for a culture of **inclusion, equality and respect**. We are committed to creating fair working environments in an atmosphere of understanding and acceptance so that everyone can achieve their goals and develop their talents. We also implement a zero-tolerance approach to any kind of discrimination. For the Group, an inclusive culture means:

- Guaranteeing diversity of profiles for all positions and at all levels of the Company by attracting and retaining talented professionals.
- Fostering equality of opportunities regardless of gender, gender identity, race, ethnicity, origin or different abilities, among others.
- Promoting human rights, collaboration and respectful communication between people, both internally and externally.
- Developing procedures and implementing appropriate training initiatives and programmes to achieve these goals.

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 December 2020 the Board of Directors approved the modification **of Inditex's Diversity and Inclusion Policy**, in force since 2017. This shows its firm commitment to the values contained in its Code of Conduct and to a culture based on equality, respect and acceptance of differences. In particular, the Policy mentions the Company's commitment to ensuring that there is no discrimination of any kind, particularly on grounds of gender, when appointing members of the Board or Senior Management of the Group.

This Policy, which is promoted and supported by Senior Management, is present across all our areas of action, especially in matters relating to people management: recruitment and selection, remuneration and benefits, promotion, training and professional development. Within the Human Resources Team, the Department of Equality, Diversity and Inclusion steers the training programmes and initiatives on diversity and inclusion at the Group, and ensures that the Diversity and Inclusion Policy guides all of the Company's actions. The Policy also directly impacts areas linked to our relationship with people in our business model: customer services, marketing and communication, procurement, etc.

Accordingly, the Policy applies to anyone associated with the Group, whether they are employees, customers or third parties such as contractors, suppliers, professionals involved in recruitment processes or people working in the supply chain.

Our staff are responsible for promoting **diverse and inclusive workplaces** that encourage equal opportunities, collaboration and respectful communication between people, both inside and outside the Company. All the Group's areas, departments



FOR MORE INFORMATION

on our Diversity and Inclusion Policy.



and subsidiaries are responsible for the proper implementation and application of these mandates on diversity and inclusion.

Inditex also has an Ethics Committee and an Ethics Line to ensure compliance with the Diversity and Inclusion Policy, which receives and addresses all the comments, doubts or complaints made in good faith regarding the interpretation, application or enforcement of the Policy.

① [More information on the Ethics Committee and the Ethics Line in section 5.9.2. Compliance and criminal risk prevention of this Report.](#)

The Diversity and Inclusion Policy is derived from the Company's Code of Conduct and Responsible Practices, the foundations of which include **respect, acceptance and equality**. Likewise, it is consistent with the Group's Compliance and Human Rights policies.

Furthermore, to resolve queries in connection with the interpretation of our Policy, two e-mail inboxes have been set up: one for queries (d&i@inditex.com) and another to report complaints concerning its interpretation, application or compliance (canaletico@inditex.com); in addition to contacting the people from Human Resources and the Diversity Champion in many of our markets.

5.1.1.3. Global initiatives to promote diversity and inclusion

At Inditex, we believe the power of creating a diverse and inclusive culture lies in **our people**. In a markedly international company, the D&I project was devised from a global perspective, and is implemented in all our markets, which are a source of diversity and multiculturalism.

In this context, in order to reinforce our own employees as the conveyors of our values of inclusion and respect, since 2018 we have appointed **Diversity Champions** among our staff in the various subsidiaries. Their mission is to act as ambassadors of diversity and inclusion in their countries and workplaces to contribute with ideas and projects that enrich our inclusive culture. At present, there are more than 40 Champions. Further cementing their collaborative efforts, the community of Champions in Europe was awarded the **Holistic Diversity Management** certificate by the ENAR Foundation, awarded for the first time to a European company.

In 2021 our subsidiaries in Greece, Portugal, Poland and Bulgaria, as well as the office of our subsidiary in Belgium, signed up to the **Diversity Charter**, a European Commission equality initiative that has been adhered to by other eight subsidiaries in Europe (France, Germany, Croatia, Romania, Slovenia, Italy, the Netherlands and Sweden).

Furthermore, in 2019 we joined the Open to All Commitment in the US, in which over 50 fashion companies worldwide take part. This is a coalition of companies endeavouring to raise awareness and increase visibility regarding the importance of protecting people from discrimination in public retail spaces.

In terms of recognitions, since 2020 Inditex has been listed in the **Refinitiv Diversity and Inclusion Index**, which includes the 100 most diverse and inclusive organisations in the world. In 2021, Inditex was also listed in the Financial Times **Diversity Leaders** ranking, which includes the 850 lead-

2021 MILESTONES

The Financial Times includes Inditex in its Diversity Leaders index. The Company is among the European leaders in promoting diversity, according to the Financial Times ranking, which evaluates the performance of more than 850 companies across 16 countries, chosen from among more than 15,000 companies throughout Europe.

Inditex also further cemented its place in 2021 among the 100 leading companies in the promotion of diversity and inclusion at the global level, as ranked by Refinitiv. This index transparently and objectively measures the data from around 11,000 worldwide companies, representing more than 80% of global market capitalisation, using 24 metrics across four key pillars: Diversity, Inclusion, People Development and News and Controversies.

ing companies in the field of diversity and inclusion in 16 countries, chosen from over 15,000 companies across Europe.

① More information in section 3.4. *Acknowledgments of this Report.*

On 21 May 2021, at Inditex we celebrated the United Nations **World Day for Cultural Diversity for Dialogue and Development.**

We work on the following **four global priorities**, as well as establishing local initiatives in our various subsidiaries:

- Gender Equality
- Inclusion of people with disabilities
- LGTB+ Inclusion
- Socio-ethnic inclusion



5.1.1.3.1. Gender Equality

Gender equality and **women empowerment** are a part of the essence of our Group. With 76% of women at the Group, we foster more diverse and inclusive working environments in which women feel supported in their professional development.

To promote diversity and inclusion, we work to ensure that the entire workforce can develop their professional potential and to guarantee that no discriminatory practices deprive the women in our teams of the same development opportunities as men.

To achieve this, we guarantee fair access to opportunities for development at work, we implement continuous training and we strive to create safe spaces in which there is no harassment or violence against women's well-being in the workplace. We also foster wage parity.

By cultivating **the talent of the women** in our Company, we have been able to make major leaps in their leadership within the Organisation. The figures speak for themselves, and in 2021, **81% of the Company's management positions were filled by women** (81% in 2020 and 79% in 2019). Moreover, in the last years, the representation of women on the Board of Directors has also improved notably (+14 percentage points since 2016, up to 36% in 2021).

① More information in section 5.9.3. *Good corporate governance of this Report.*

In Spain, the **equality plans** at Inditex's different companies, as well as those which are currently being negotiated, include measures that affect different areas of labour relations, such as selection, recruitment, promotion, training, health at work, remuneration and work-life balance. This work is further underpinned by the committees that monitor these plans, which meet half-yearly to verify their compliance and effectiveness. There are also action protocols designed to combat sexual and/or gender-based harassment.

Our organisation **rejects discrimination in any form.** Hence, we strive to prevent sexual harassment, abuse and exploitation in the workplace by implementing an internal policy to stop sexual or gender-based harassment at work. With its **Policy to Prevent Sexual and Gender-Based Harassment in the Workplace**, devised and developed over the course of 2021, Inditex aims to improve the information and training in this area for the entire workforce. The main lines of this proposal will be prevention, care and support and response for victims.

This Policy takes into account the recent approval of International Labour Organization (ILO) Violence and Harassment Convention – C190, which has not yet been ratified by Spain, and ILO Violence and Harassment Recommendation – R206 (June 2019).

Through this global policy, the Inditex Group establishes the general principles that will serve as a framework for the various policies to prevent sexual and gender-based harassment that, in the event, are approved locally in the markets where the Group operates. In this regard, implementation



of the Policy will be adapted to each country’s legislation where there is already a local internal policy.

We highlight our commitment to stop gender violence through various campaigns to disseminate information that we conduct every year on 25 November, the International Day for the Elimination of Violence Against Women. In this regard, we have been working since 2013 with the then Ministry for Health, Social Services and Equality to raise awareness and promote the integra-

tion of victims into the workplace. Furthermore, **Salta**, the project to promote the integration of vulnerable young people into the workplace has also generated employment opportunities for the victims of gender violence. Salta is implemented in Spain, France, Italy, Greece, Germany, UK, Poland, Portugal, Mexico, Brazil, USA, South Korea and Turkey.

[More information on Salta in section 5.7. Collaborating to generate value in the community of this Reportt.](#)

With regard to other equality-related labour measures, in 2021, the remuneration area has been strengthened. A job assessment was performed by an external supplier, as well as a salary audit and a remuneration register set up to guarantee the principle of **pay transparency** and equal pay for work of equal value.

Moreover, since 2019 we have had a guide to inclusive language to help our teams communicate more equally in the workplace.

Inditex was included for the third year running in Bloomberg's Gender-Equality Index.

We have also continued to implement work plans and monitoring and assessment systems to foster gender equality and women empowerment in our workplaces. In 2021, the subsidiaries in Germany, Russia, Bulgaria and Ukraine obtained the **GEEIS (Gender Equality European and International Standard)** certification, recognising those companies that promote equality between men and women at work, and helping to define opportunities for improvement in workplaces. These subsidiaries joined Belgium and the global corporate group, which were certified in 2018, and France, Italy and Sweden, which received the certification in 2020. Over the course of 2022, other Inditex subsidiaries on both sides of the Atlantic will continue to obtain this certification.

The effort to implement initiatives that foster gender equality on a global scale is evidenced by the fact that, in January 2022, **Inditex was included for the third year running in Bloomberg's Gender-Equality Index**, which features the companies most committed to gender equality. Likewise, we are also among the 100 companies featured in the **Equileap** Ranking, resulting from a study of around 4,000 businesses, based on 19 gender equality criteria.

We also foster equality, diversity and inclusion among the workers in our supply chain. To do this, we have a Gender, Diversity and Inclusion Strategy, within the framework of which a number of actions are carried out aimed at the workers from our suppliers and manufacturers.

① More information in section 5.5.2. *Workers at the Centre of this Report.*

WOMEN IN TECH: SCIENCE AND TECHNOLOGY FROM AN INCLUSIVE PERSPECTIVE

Within the field of talent development, in 2020 Inditex created the Women in Tech initiative, which aims to promote inclusion in the world of technology and foster the role of women in innovation and science. In 2021 we have held a number of sessions and masterclasses to encourage talented women to pursue careers in Science, Technology, Engineering and Mathematics, and to increase the presence of women performing digital and technological duties.

In this context, a number of awareness initiatives were promoted: talks with women leaders in technology, and awareness projects in schools and universities. We have implemented educational activities to celebrate the International Day of Women and Girls in Science and have actively collaborated with organisations working to train and empower girls in the technological area. Internally, we have also set up programmes to develop leadership skills aimed at women in our technology teams.

Along with this purpose of generating an internal and external community with other groups and associations, we have set ourselves measurable goals in terms of recruitment and internal and external selection through our collaborators.

5.1.1.3.2. Inclusion of people with disabilities

One of Inditex's top priorities is to comply with **the principles of universal accessibility**, particularly for our staff and customers with any kind of disability. We endeavour to ensure that all the Group's workplaces meet the functional and dimensional requirements that allow an independent use by people with disabilities or impaired mobility. We also consider it a duty to make technical adaptations to workplaces that require specific modifications in terms of mobility or other types of sensory, visual or hearing differences.

In this context, for Inditex it is important to provide equal opportunities for access to our various websites and apps so that people with different disabilities can use the information shown on our platforms and to provide a more inclusive online browsing and app experience. Based on the principles of dignity, accessibility and independence, both our jobs portal—Inditex Careers, which has WCAG International Web Accessibility Certification, with AA-level conformance—and the websites and applications of our commercial brands allow access to the range of content through functionalities adapted for people with various kinds of disability. This evidences our continuous commitment to provide a service that is accessible to as wide an audience as possible and to facilitate the use of electronic devices so that anyone can browse online quickly and conveniently.

We are also strongly committed to the **employability of people with disabilities**.

At the end of 2021, in Inditex we directly employed 1,443 persons with disabilities (1,325 in 2020, 1,568 in 2019 and 1,498 in 2018). In Spain, we have also implemented alternative measures (e.g. collaboration with special employment centres, donations and sponsorships to conduct employment insertion activities for people with disabilities) equivalent to 64 workers (alternative measures equivalent to 69 workers in 2020, 180 in 2019, and 186 in 2018). The reduction in the number of alternative measures is due to the steady prioritisation of direct recruitment as a means of integration.

There are different regulatory frameworks in the various markets where our Company operates, hence, regulations are not always comparable to the ones in force in Spain, whether due to the absence of minimum recruitment quotas or out of respect for the privacy of individuals, with the right of citizens not to disclose their disability prevailing. As a result, in many cases we have no registered data available.

In the rest of the world, we also work with non-governmental organisations, specialist companies and even public entities to foster the recruitment of people with disabilities, whether or not there are local regulations in this regard, including in countries such as Belgium, the Netherlands and the UK, among others. In the UK, we have joined the Business Disability Forum, a non-profit organisation aimed at transforming the lives of disabled people, working together with business leaders, public institutions and disabled people themselves to understand what must change to improve their life opportunities and experiences in terms of work, economic growth and society in general.

We are also involved in similar initiatives in Belgium and the Netherlands, where there are no legal quotas in place, and where we have launched a number of initiatives aimed at recruiting people with disabilities in partnership with companies specialising in inclusion and with local public entities, and at training customer service teams to better cater for disabled people. Furthermore, countries with legislation in place concerning recruitment quotas, such as Germany, with its 'Future' training programme; France, with its 'Accord Handicap' business agreement; Italy, which has im-





plemented the 'ALL IN' project to help people with intellectual disabilities to access employment in Milan and Verona; and Romania, with its constant efforts to improve internal training for its staff and also to hire people with disabilities, continue to work towards recruitment goals and to improve the labour conditions of their workers with disabilities.

To promote the inclusion of people with disabilities at a global level, which is a key pillar of our diversity and inclusion strategy, between November and December 2021, we held the second yearly edition of **Impact Week**, focusing on the inclusion of people with disabilities. This year, the vast majority of our subsidiaries and central offices took part. The aim of Impact Week is to raise awareness and mobilise everyone at the Company to continue to promote projects that foster the full inclusion of people with disabilities, be they employees, customers or candidates. Through partnerships with local entities in

the different markets, training, workshops, round table discussions and other activities, this year's Impact Week focused on areas such as accessibility, or the experience of a 'customer' or 'employee' with disabilities, thereby helping to break down barriers and foster equal opportunities. In total, more than 26,000 people from 47 subsidiaries worldwide took an active part in one or more of the **Impact Week** initiatives, either through our interactive app or participating in the many local initiatives.

Furthermore, we should also highlight our **for&from** project, which consists of the creation of a network of social franchises from our different concepts, managed by non-profit organisations and staffed by people with disabilities. This initiative currently has 15 stores generating more than 200 jobs for people with various kinds of disability. All profits generated by for&from stores are reinvested in social projects run by the partner organisations.

INCLUYE PROJECT

INCLUYE Project is an initiative aimed at the socio-occupational integration of people with disabilities. It consists of the incorporation of people with intellectual disabilities into our logistics teams. This programme, launched in 2021, is conducted in conjunction with local organisations such as Prodis and COGAMI that work to foster the inclusion in the workplace of people with different talents. The programme is based on adapting the job position and functions to the abilities of the participants, providing on-site support from NGOs and tutors from Inditex and implementing inclusion activities with participants and tutors. Through the INCLUYE initiative, 20 people with intellectual disabilities have joined Zara's Logistics Platforms in Arteixo (A Coruña), Zaragoza and Meco (Madrid).

5.1.1.3.3. Inclusion of the LGBT+ community

To stop discrimination against people belonging to the LGBT+ community in the workplace, in 2018 we signed up to the UN LGBTI Standards of Conduct, based on the UN Guiding Principles on Business and Human Rights, and including contributions from hundreds of companies from a range of sectors.

Since 2016 we have been a member of **Open for Business**, a coalition of leading global companies that advocate for the rights and inclusion of the LGBT+ community. From this forum we endeavour to show that more inclusive societies are better for businesses. We also contend that enterprises that promote the inclusion of the LGBT+ community are more dynamic, productive and innovative.

In Spain, Inditex joined **REDI (Red Empresarial de Diversidad e Inclusión** LGBT+, Business Network for LGBT+ Diversity and Inclusion) in 2018. This network fosters an inclusive environment in organisations and seeks to eradicate stereotypes. The aim is to value employees' talents regardless of their gender identity, gender expression and sexual orientation.

Once again in 2021 various Inditex subsidiaries in Europe and North America took part in the LGBT+ Pride celebrations in June and July, through a range of actions that included courses in LGBT+ inclusion in Germany, all stores' involvement in an inclusive competition to develop the Love&Pride initiative in Italy, or collaboration with the solidarity festival Solidays in France.

This year a number of projects have been launched to help transgender and non-binary people access employment. In Spain, the SALTA project involved initiatives to include trans people in our store and logistics teams thanks to the collaboration with entities like Fundación 26 Diciembre. And in the United States we launched the **IN Pride** project aimed at creating job opportunities at our stores in conjunction with two New York organisations: The Door and The Ali Forney Center.

In addition, our US subsidiary has been named one of the 'Best Places to Work' for LGBT+ people in the **Human Rights Campaign Foundation's** Corporate Equality Index 2022, recognising those companies that implemented the best LGBT+ inclusion practices in 2021. Zara USA obtained the top score (100 out of 100 points) in the support and empowerment of our LGBT+ people and in promoting inclusive workplaces for all.

5.1.1.3.4. Socio-ethnic inclusion

Our project for the employment of vulnerable groups, **SALTA**, is the foremost of our socio-ethnic inclusion initiatives. This programme is aimed at generating employment opportunities in our stores, logistics centres and factories for people or groups in special circumstances that make their employability more complex. In Salta we work with NGOs that support us in the process of recruitment, training and follow-up of the participants.

This programme, which was launched in 2008 in France, has evolved its format for the training and integration of people in vulnerable circumstances in our teams. This year there have been several editions with different formats. One such format is the in-person training conducted in France, Greece and Portugal where NGOs and teams from Inditex work on basic skills, fashion and customer care. And another modality, implemented in Spain, the US and Germany, was to hold an initial stage of training online and a second phase of practical training in stores. Lastly, some countries such as Mexico and Turkey held mixed editions.

SALTA is now present in 13 markets (France, Spain, Italy, Portugal, Poland, Brazil, the United States, the United Kingdom, Germany, Mexico, Greece, South Korea and Turkey). Since 2008, 1,545 people have joined our teams in stores, logistics platforms and factories. Two of the groups most strongly supported by SALTA are women victims of gender-based violence and refugees.

This social commitment initiative is an important means to strengthen the links and engagement with the people who are part of Inditex. Our workforce actively participates, acting as mentors for people joining us via SALTA, and devoting their time to train and mentor them. Since 2008, more than 3,200 colleagues have taken part in this project as trainers or tutors.

With regard to recognitions, in 2021 SALTA was awarded the Trophee GEEIS SDG at a ceremony in Paris, for its contribution to gender equality through employment opportunities, consistent with the United Nations Sustainable Development Goals. The programme also received a special mention from the jury for 'offering a global project to promote social and sustainable inclusion'.

5.1.1.3.5. Against any kind of racism and discrimination

As a global company, **our values are founded on diversity, equality and respect for human rights**, and

we therefore work to stop all kinds of racism and discrimination. In this sense, our Diversity and Inclusion Policy specifically mentions our zero tolerance as a company towards any type of discrimination.

Our determination in favour of the equality of all people is not a simple statement, but defines our position against racism in any of its expressions. Inditex's corporate culture is firmly based on listening to our employees and our customers. This listening allows us to determine what company, fully diverse and inclusive, we want.

At the same time, we recognise that education is a key component of any long-term change and that is why we have pledged to increase the educational programmes against racism and discrimination.

Our work of listening and reinforcing education materialized in 2021 with numerous training actions on diversity, equality and inclusion both globally and focused on different markets, which have reached more than 30,000 employees from all over the world. With them, we aspire to make our people participate in why a diverse, inclusive work environment, free from any form of discrimination, reverts positively not only to our employees but to the company in general.

① More information in section 5.1.2. *Talent management of this Report.*

On the other hand, in 2021, we made again a donation to the NAACP Legal Defense Fund, a US organisation that actively combats racism, discrimination and injustice, especially in African-American communities.

Likewise, and since 2018, Inditex is among the companies that collaborates with ENAR, a European organisation based in Brussels that is focused on fighting racism and discrimination in all their forms. Within the framework of collaboration with this entity, the Inditex Diversity Champions community in Europe was awarded the Holistic Diversity Management certificate, awarded for the first time to a European company.

5.1.1.4. Work-life balance

At Inditex we encourage measures that seek to facilitate **work-life balance**, advocating especially for co-responsibility. The equality plans negotiated within the Group aim to make co-responsibility a right and a duty.

Parental leave	2021	2020	2019	2018
Total figures for parental leave	2,164	2,204	2,353	2,166
Women	1,640	1,726	1,902	1,770
Men	524	478	451	396
Return to work rate	99%	100%	99%	99%
Women	99%	100%	100%	100%
Men	99%	99%	95%	99%
People who continued working at the Group 12 months after returning from leave	1,927	2,287	2,034	2,240
Women	1,459	1,842	1,640	1,881
Men	468	445	394	359
Overall retention rate	87%	97%	94%	86%
Women	85%	97%	93%	90%
Men	98%	99%	97%	87%

In this regard, in 2021 diagnostic instruments were presented to properly monitor both data and the implementation of measures under the equality plans in Spain. Based on the term of the equality plan in force, negotiations for new plans are underway in the corresponding companies. This is the case with Plataforma Cabanillas, where the negotiation of its second equality plan has now begun, and Grupo Massimo Dutti, which is due to start the negotiation of its third plan.

In 2021, as in previous years, 100% of our employees in Spain (46.075) had their right to parental leave in connection with birth or placement for adoption or foster care. 2,164 people took leave for birth, adoption or foster care placement (1,640 women and 524 men), almost all of whom returned to work: 2,148 people (1,630 women and 518 men). In addition, 17% of employees in Spain enjoy a reduction in working hours for childcare (18% in 2020, 16% in 2019 and 16% in 2018).

However, beyond shared responsibility, our equality plans contain other work-life balance measures such as the possibility of splitting up leave periods for hospital stays or care of relatives up to second degree of kinship, flexible working hours for adaptation periods at nursery or infant schools, or the extension of leave with job guarantee for personal matters, studies, international adoption or care of dependent family members.

Internationally, the Inditex Group strives to improve the rights guaranteed by the local legislation of each country through work-life balance policies, prioritising those markets in which the legislation is not especially protective. This is the case in the United States, where since 2019 Inditex has implemented a policy of paid leave for birth or adoption for all our people. The purpose of this paid leave is to enable all employees meeting minimum requirements to be able to devote time to the care of a new-born or newly-adopted or fostered child.

As already indicated in the case of Spain, Inditex also advocates implementing measures in other markets to broaden the rights enshrined in local legislation or that help improve work-life balance by means of flexible working hours, efficient organisation of teams, the expansion of leave for caring for children and/or dependants and even financial assistance to help cover the cost of childcare or other care. All of the foregoing takes into account the local reality in the context of each market, such as the United Kingdom, Italy, Germany, France or Argentina, among others, where packages of measures have been

designed whose priority goal of improving people's quality of life.

5.1.1.4.1. Work disconnection policies

With the approval of Organic Law 3/2018, of 5 December on Protection of Personal Data and Guarantee of Digital Rights, Inditex is fully committed to encouraging an internal policy that ensures the **right to digital disconnection in the workplace**. In this regard, the staff are encouraged to adopt habits such as resting between working days and during the holiday period, as well as to foster direct contact between colleagues as one of the corporate values of Inditex. Notwithstanding the commitment acquired at the corporate level, negotiations with workers' representative have also resulted in other measures on this front, included in the latest Equality Plans of the various brands (the 2nd Equality Plan of Zara, Massimo Dutti, Bershka, Stradivarius, Oysho and Pull&Bear) and in place in Spain.

France, a pioneer on this topic, has been incentivising digital disconnection to improve work-life balance for some years now, and has even opted to include the right to disconnect in the company collective bargaining agreement on quality of life at work (Article 6). Thus, other than in exceptional cases, all our people are advised to limit messages and phone calls outside normal working hours and they are reminded that they are not obliged to respond to the e-mails or phone calls they receive outside those hours. Department heads and store managers are aware of this system and the company undertakes to remind them of this right periodically.

In other markets, such as the UK, where there is no legislation entitling employees to digital disconnection, the Group's brands have rolled out an initiative whereby employees do not receive communications from the company on their days off and eliminating instant messaging applications as a work tool. Ireland plans to launch a guide in February 2022 concerning the right to disconnect so as to ensure that work is not routinely performed outside normal hours, and the duty to respect another person's right to disconnect (for example: by not routinely emailing or calling outside normal working hours).

There are other awareness campaigns, such as the one conducted at the Russian subsidiary, offering legal training to human resources managers regarding working and resting hours, and the potential consequences for employers if they do not meet the requirements.

In Nordic countries supervisors and store managers have been issued with guidelines for leaving their work equipment in stores, so that they cannot make use of their work electronic devices during their time off.

In general, both the IT and human resources teams at our subsidiaries are working to promote and implement healthy work habits, regardless of whether there is legislation in place, either through information, training and awareness, or by adopting specific measures applied to our corporate systems, such as e-mail.

5.1.2. Talent management

GRI 103-2; 102-8; 404-1; 404-2 AND AF5

Talent is our main asset when it comes to being able to convey our passion for responsible fashion to our customers. We place people at the centre, whether they are our employees or candidates, and we work on four goals from the perspective of talent management:

- Being able to **attract the most talented professionals** to work at our Company.

- Providing **opportunities for professional development and growth** through internal promotion and mobility.
- Facilitating continuous **learning**, both in new functions as they emerge and in transforming what we were already doing through training, awareness and communication.
- Providing a safe, enriching and motivating working environment with attractive conditions that enable us to **retain talented professionals, connect with our people and boost their commitment**.

5.1.2.1. Talent attraction

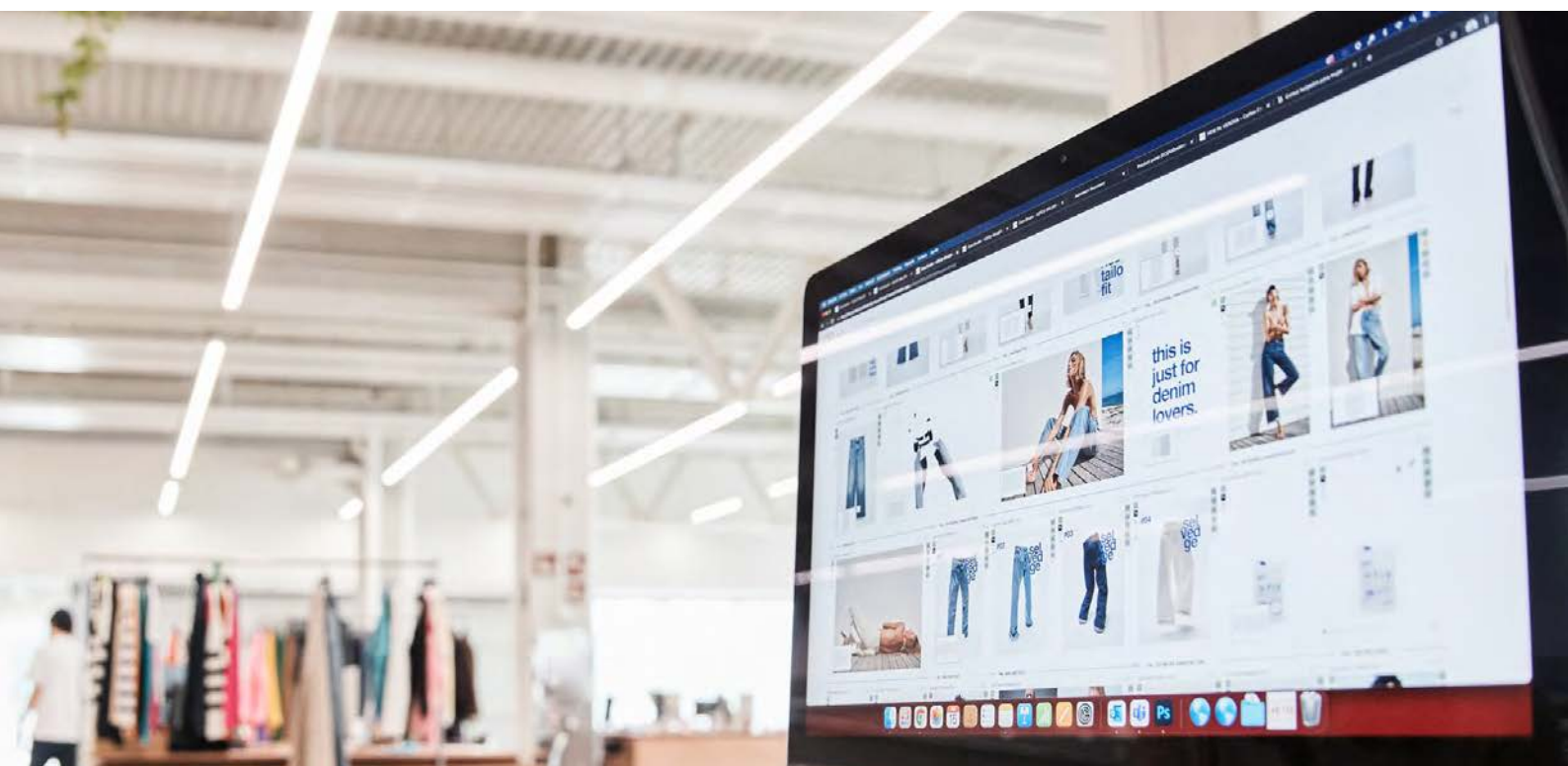
Communicating our value proposition as an employer across the Group's brands and work areas and communicating with our candidates is key to attract-



2021 MILESTONE

Inditex launches The Sustainable Fashion School, a space for knowledge and inspiration where our commercial teams are backed by a very solid foundation of technical knowledge and access to the latest innovations in sustainability.

We joined forces with the University of Leeds, a world's leading university for textile-related studies, to co-create this specialist programme on the fundamentals of the textile process.



ing the best talent. More than two million people follow our employer brand, **Inditex Careers**, on social media: LinkedIn, Instagram, Facebook, Twitter, Wechat and Weibo. In a new development, this year we debuted on TikTok with a challenge to work in our stores in Portugal. Inditex Careers, our employment portal, has also cemented its position as our main recruitment source, with more than 14.3 million visits from over 200 markets in 2021 (9.4 million visits from 200 markets in 2020 and 6.8 million visits from over 190 markets in 2019). In January 2020, this portal was awarded the WCAG Web Accessibility International Certification, with conformance at level AA.

In 2021, the **digitalisation** of the selection process for store staff was completed, from receiving the stores' recruitment needs to signing the contract digitally (a pilot project in Spain). Interviews to get to know our candidates become online experiences through webinars, team plays or videos sent to us by people who want to join our Group. This ensures that we have a flexible and sustainable process that significantly reduces the use of paper and commuting.

Our relationships with the top universities and schools remain vital to reach talent in all creative, management and technological areas. In 2021, we launched **Zara Boost**, a programme to dis-

cover junior talent in the areas of technology and e-commerce. Through an online coding challenge, more than 1,600 young people put into practice their knowledge and skills. People joining the Group through this initiative received initial training and a mentoring programme from our technology teams.

With regard to acknowledgements in employer branding, for the **eleventh year running**, Merco Talento ranked Inditex top of its survey, in which it analyses the 100 best companies to work for. Also in Spain, for the seventh consecutive year, Universum has included Inditex among the best companies in which to develop professionally in the Business and Trade category based on surveys among university students. Zara also entered Universum's **World's Most Attractive Employers** ranking in the Business category for the first time; this index analyses the companies that students consider to be the most attractive in terms of attracting talent in the 10 most significant international markets.

5.1.2.2. Developing talent

At Inditex, we are committed to **providing our people with opportunities for development**, something that is embedded in our DNA. Opportunities for internal promotion and mobility enable our teams to grow personally and professionally,



and trace countless different paths and journeys at the Company.

In 2021, 50% of the Group's vacancies were filled internally (46% in 2020), resulting in nearly 7,500 people being promoted throughout the year (nearly 2,000 in 2020). By gender, 76% of the promotions have been for women and 24% for men, a figure that corresponds to the distribution of our workforce. Our commitment to generating opportunities for internal development results, in our office teams, in around 550 promotions and more than 710 changes of functions, department, brand or market.

InTalent plays a pivotal role in fostering the internal promotion of our store personnel, giving them visibility on opportunities for development in the Company and helping our talent teams to identify people interested in growing professionally. More than 59,000 people are registered on InTalent, across 53 markets worldwide.

Moreover, **LEAP&Co**, our talent management and in-job training application for our store staff enables store managers and area support teams to act independently when managing development plans for their teams, organising their network of specialist trainers per area and following up on new employees and trainees. This platform operates at Zara stores in 37 countries across Europe, America and Asia. Of our brands, Pull&Bear has implemented LEAP in Spain and Zara Home has implemented it in Spain, the Netherlands, Germany and Romania. Al-

most 51,000 employees are currently registered in the application, where this year more than 800,000 training hours were held, more than six times the previous year's figure (121,000 hours).

This year we also launched **Big Store**, a programme that helps our store teams to evolve so as to provide our customers with a uniform shopping experience regardless of their chosen channel. In this way, our store teams support our integrated store, serving our customers in both physical stores and online. For this, candidates complete a recruitment process and enter a development programme in which they receive the necessary knowledge for these functions. We therefore ensure that the store teams naturally support our goal of achieving an integrated store and that they are involved and play a prominent role in the Group's digital transformation, making better use of available resources towards more sustainable management. Big Store is present in Spain and in 2021 had more than 450 participants, implying more than 107,000 hours of our staff in physical stores devoted to customer services over digital channels.

5.1.2.3. Training

Training is another fundamental driver of **professional growth** among our staff.

Our culture is eminently practical, determining that staff training is fundamentally on-the-job, and that we implement a model in which internal training is

key. We maintain a network of internal trainers that convey the Company's culture and operations, to ensure the success of all new employees.

In 2021 our new, modern, agile learning platform Tra!n was launched internationally, with an appearance similar to existing streaming platforms. This platform provides access to all our staff worldwide, from their computers or mobile devices, to a varied range of training content classified by topics such as Product and Fashion, Sustainability, Culture & Values, Customer, Processes, Skills, Health and Safety and Digital & Tech. The content is produced both internally, harnessing and sharing the know-

how of our staff, and in partnership with leading educational institutions.

From 1 February 2021 to 31 January 2022, more than 2.3 million training hours were imparted to 551,000 participants (more than 1 million hours and more than 370,000 participants in 2020, more than 3 million hours and 360,000 participants in 2019 and more than 2.7 million hours and 146,000 participants in 2018).

Details of the training indicators are as follows:

Distribution by job classification¹⁷

JOB CLASSIFICATION				
2021				
	Training hours	Participants	Average staff	Hours per person
Management	159,783	62,816	11,890	13.4
Supervisors	196,199	58,174	15,367	12.8
Specialist	1,986,390	430,890	137,785	14.4
Total	2,342,373	551,880	165,042	14.2
2020				
	Training hours	Participants	Average staff	Hours per person
Management	126,121	46,054	12,591	10.0
Supervisors	126,282	49,892	16,480	7.7
Specialist	748,448	275,659	115,045	6.5
Total	1,000,851	371,605	144,116	6.9
2019				
	Training hours	Participants	Average staff	Hours per person
Management	170,913	26,647	10,473	16.3
Supervisors	260,524	39,447	19,779	13.2
Specialist	2,657,853	295,156	146,359	18.2
Total	3,089,290	361,250	176,611	17.5
2018				
	Training hours	Participants	Average staff	Hours per person
Management	98,282	9,044	7,601	12.9
Supervisors	253,276	19,124	20,350	12.4
Specialist	2,400,265	118,278	146,435	16.4
Total	2,751,823	146,446	174,386	15.8

17. The description of the functions of the three job classification groups:

- Management: employees in managerial positions with responsibility for interdisciplinary working groups related to the areas of design, manufacturing, distribution, logistics, stores, technology, sustainability and other general services. This category includes store managers.
- Supervisors: employees who are part of interdepartmental and transversal working groups for design, logistics and stores, as well as sustainability, technology and other general services.
- Specialist: employees with an impact through 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.

Distribution by gender¹⁸:

GENDER

2021

	Unique people trained	Training hours	Participants	Average staff	Hours per person
Male	32,373	610,137	123,766	40,049	15.2
Female	97,698	1,732,236	428,114	124,993	13.9
Total	130,071	2,342,373	551,880	165,042	14.2

2020

	Training hours	Participants	Average staff	Hours per person
Male	259,185	89,809	34,793	7.4
Female	741,666	281,796	109,323	6.8
Total	1,000,851	371,605	144,116	6.9

2019

	Training hours	Participants	Average staff	Hours per person
Male	717,280	82,930	43,146	16.6
Female	2,372,010	278,320	133,465	17.8
Total	3,089,290	361,250	176,611	17.5

Distribution by geographical area:

GEOGRAPHICAL AREA

	2021				2020				2019			
	Training hours	Participants	Average staff	Hours per person	Training hours	Participants	Average staff	Hours per person	Training hours	Participants	Average staff	Hours per person
Spain	316,712	110,930	46,075	6.9	218,789	113,150	40,279	5.4	351,421	117,637	48,687	7.2
Europe (excl. Spain)	1,213,307	345,372	82,619	14.7	565,654	156,289	69,834	8.1	2,085,281	163,656	84,634	24.6
Americas	348,139	71,624	19,888	17.5	61,725	60,877	16,788	3.7	45,684	48,929	19,749	2.3
Asia & Rest of the world	464,215	23,954	16,460	28.2	154,683	41,289	17,215	9	606,904	31,028	23,541	25.8
Total	2,342,373	551,880	165,042	14.2	1,000,851	371,605	144,116	6.9	3,089,290	361,250	176,611	17.5

18. A person can attend more than one training. In the indicator 'unique people trained' those people who have attended more than one training are counted only once. Breakdown by gender is only available for this indicator.

Distribution by content:

CONTENT	2021		2020		2019	
	Training hours	Participants	Training hours	Participants	Training hours	Participants
Corporate (About us)	675,216	241,322	252,570	168,746	1,358,388	131,289
Customer	74,634	39,021	35,241	25,420	106,818	102,982
Fashion and Product	49,768	62,975	124,328	88,236		
Languages	73,666	18,737	52,617	2,433	52,033	2,536
Processes, Techniques & Tools	1,313,940	155,757	488,963	55,992	475,668	60,701
Skills	155,150	34,068	47,132	30,778	1,096,383	63,742
Total	2,342,373	551,880	1,000,851	371,605	3,089,290	361,250

Main training initiatives in 2021

- **Diversity and inclusion.** In addition to the awareness actions presented in section 5.1.1.3. Global initiatives to promote diversity and inclusion, in 2021 a number of training programmes were held, involving more than 30,000 people (more than 6,200 people in 2020). The goal is to convey and explain to our workforce the reasons why a diverse, equal and integrating working environment free of any form of discrimination is especially positive for the Company. The main courses are as follows:

 - **Diversity, Inclusion and Belonging** consists of training in e-learning format to disseminate our Diversity and Inclusion Policy and introduce basic concepts concerning our Company's inclusive values. It is available in various languages for our different markets.
 - **The Right leader @ Inditex is inclusive** is an international interactive workshop devised to help our management teams build more inclusive work environments based on a strategic vision of diversity management.
 - **Prevention of harassment and discrimination** refers to a series of in-person and online training programmes conducted in various countries to nurture more respectful and inclusive environments free of any form of discrimination or harassment.
 - **D&I Matching HR** is expert level training for Human Resources staff that delves into the various lines of action linked to Diversity and Inclusion, providing tools to foster more respectful work-places and to understand how to stop discrimination from various angles.
 - **Promoting LGTB+ inclusion in the workplace** is a course created in the USA that fosters inclusion of members of the LGTB+ community in our work environment.
 - Over the course of this year, multiple **workshops, masterclasses and talks** have been held at international and local levels, and we conducted sessions on unconscious bias (Inclusion 2.0) to help combat stereotypes, and on inclusive leadership (Sustain yourself), among other diversity topics. In addition, the Diversity Champions from the various countries took part in expert talks covering areas such as how to fight discrimination, foster inclusion or welcome people with disabilities, among other topics.
 - **Languages. Busuu** is an app for mobile devices that offers employees the opportunity to learn up to 13 languages, having added Dutch this year. We offer everyone access to its premium version which includes the option to obtain official certificates (more than 2,600 this year), with English and Spanish the most widely studied languages. Overall, our staff devoted more than 34,000 hours to improving their language skills using Busuu during 2021.

#BOOSTYOURPOWER

#BoostYourPower is an initiative aimed at informing, training and raising awareness among our people on sustainability, integrating it into all the Company's areas.

We are convinced that sustainability goes way beyond being a mere concept, and is in fact a way of working, a way of thinking, an approach to everything we do. It is a value we want to weave into the Company's culture, and to do so we must engage not only our own teams, but our entire ecosystem: customers, collaborators and supply chain. Being more sustainable is everyone's responsibility.

Our aim is to involve everyone at the Company, wherever they are, and to build that vision together. In 2021 we focused on two key areas due to their impact: buying teams, with their purchasing offices, due to their decision-making power on the product itself, and our stores, because they are our direct contact with customers.

The Sustainable Fashion School was launched within the framework of this initiative. This consists of a space for knowledge and inspiration where our buying and design teams are backed by a very solid foundation of technical knowledge and access to the latest innovations in sustainability. We joined forces with the University of Leeds, a world's leading university for textile-related studies, to create this specialist programme on the fundamentals of textile processing. About 1,000 people take part in this programme, which is scheduled to conclude at the end of 2022, and they receive new content weekly.

Furthermore, at each of our new Zara stores worldwide we have identified the people most committed to sustainability, our **Changemakers**. This community ensures that sustainability reaches all our store teams. They receive continuous information and are directly connected to people in various areas of the Company, who share with them the initiatives Inditex carries out in the area of sustainability, so that the Changemakers can in turn convey them to their colleagues, while at the same time collecting suggestions and concerns from our teams and our customers. At year-end, the project is already operating at 650 stores in 53 markets, with more than 33,000 people already learning about our sustainability initiatives thanks to our more than 700 Changemakers.



●**Zara Campus.** This initiative emerged to respond to the need for training and development among new promotions and people in positions of responsibility in stores. Campus stores are some of our Zara stores which are used as a practical scenario for training in positions of responsibility in three areas (management, sales and operations). In 2021, 2,500 people were trained and a total of 22,000 hours were imparted. This year also saw the launch of Zara School, designed to provide ongoing training to all store staff. For this, the Campus team of specialists has trained more than 650 tutors to run the training capsules in their respective stores.

●**Virtual training programmes.** Throughout this year we have continued with the virtual training programmes we launched last year. In 2021, we launched HR Virtual Training, a specialisation itinerary designed to keep Human Resources staff abreast of the latest trends in people management. In the first module, known as Core, 10 talks were given to 2,814 recipients in 40 countries. The second part, a specialisation track, tackles topics such as leadership, management, well-being and big data, and was followed by 350 people.

5.1.2.4. Connection and engagement with our people

The fourth pillar of our talent management strategy is to provide an enriching work environment with attractive conditions that help us retain talent, connect with our people and enhance their engagement. In this regard, INET, our internal communication application, performs an essential role in how we connect with our staff.

Present both in app and online format in all our markets with employees, it recorded more than 21 million accesses in 2021 (more than 19 million in 2020). Furthermore, we have fully revamped its design this year, offering our users a more intuitive and simplified browsing experience. INET enables us to digitalise all communication in the markets where we are present with our people, continually incorporating new features and staying permanently connected.

In 2021 we launched **specific communication channels for some of our brands.** This provides us with the opportunity to bring our ‘good morning meetings’ omnichannel, sharing with our people information about products, processes, people, news, trends and inspiration every morning in all the markets where we operate. These channels also enable us to receive first-hand opinions, sug-

gestions and feedback from our teams. Zara uses Dear Team, Zara Home uses #tengoalgoquecontarte, Pull&Bear uses #stayawake and Massimo Dutti uses Journal.

In 2021 we have also made headway in rolling out InStories, our internal social network, present in 13 markets (Mexico, Russia, Belarus, Brazil, UK and the Netherlands joined Italy, Portugal, Greece, Turkey, Poland, South Korea and Japan). The InStories community has shared more than 100,000 posts.

5.1.3. Employment

GRI 103-2; 103-3; 102-8; 405-1 AND AF22

At Inditex we always endeavour to ensure **stimulating, stable and safe working environments**, in which equal opportunities and professional development are a reality and in which we look after our people and their working conditions. As an international Group operating in many very different markets, we strive to adapt our responses to the local needs of our employees. The goal is to create quality workplaces in each of the markets where the Group is present.

Over the course of 2021, when many markets have still been impacted by the global covid-19 pandemic, the Group’s priority and efforts continue to focus on reducing, as far as possible, the impact of restrictions and measures to stop the spread of the virus, approved by the various governments, on employment and normal functioning of our business. For this reason, with the main objective of preserving employment, the legal instruments made available mainly by the administrations of France, Germany, Portugal, the United Kingdom and Canada, among others, were once again used to compensate the remuneration of the workforce during the periods of restrictions due to covid-19, which made it possible to recover around 65 million euros.

5.1.3.1. Distribution of the workforce by contract type

In financial year 2021, 81% of our people were on a permanent contract (compared with 87% in 2020, 77% in 2019 and 73% in 2018). This is because, with the gradual return to normality after the pandemic, we have reinforced store recruitment at peak sales times

of the year, so that, although the number of permanent staff is up in absolute terms (8,931 more than 2020), their proportion of the total is slightly lower.

The tables below show the different types of contract by gender, age and job classification:

Distribution of employees by contract type, gender, age and job classification¹⁹

	2021				2020				2019				2018			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%
Distribution by gender																
Women	100,925	81%	24,235	19%	93,748	87%	14,543	13%	100,968	76%	31,606	24%	96,518	74%	34,607	26%
Men	32,904	83%	6,978	17%	31,690	88%	4,135	12%	34,219	78%	9,818	22%	30,655	71%	12,606	29%
Total	133,829	81%	31,213	19%	125,438	87%	18,678	13%	135,187	77%	41,424	23%	127,173	73%	47,213	27%
Distribution by age																
<30 years old	64,824	71%	26,252	29%	64,716	81%	15,034	19%	70,658	68%	33,387	32%	65,186	63%	38,797	37%
30-40 years old	45,593	92%	4,066	8%	41,677	93%	3,031	7%	44,874	87%	6,711	13%	44,145	86%	7,155	14%
> 40 years	23,412	96%	895	4%	19,045	97%	613	3%	19,655	94%	1,326	6%	17,842	93%	1,261	7%
Total	133,829	81%	31,213	19%	125,438	87%	18,678	13%	135,187	77%	41,424	23%	127,173	73%	47,213	27%
Distribution by job classification⁽²⁰⁾																
Management	13,788	97%	2,313	3%	11,451	96%	539	4%	9,268	89%	1,146	11%	7,000	90%	808	10%
Supervisor	15,582	96%	4,677	4%	15,596	95%	811	5%	19,209	92%	1,657	8%	18,215	88%	2,614	12%
Specialist	104,459	78%	24,223	22%	98,391	85%	17,328	15%	106,710	73%	38,622	27%	101,958	70%	43,791	30%
Total	133,829	81%	31,213	19%	125,438	87%	18,678	13%	135,187	77%	41,424	23%	127,173	73%	47,213	27%

5.1.3.2. Distribution of the workforce by type of working day

In terms of working day, in 2021 56% of the workforce was part-time and 44% full-time (50% part-time and 50% full-time in 2020²¹; 53% part-time and 47% full-time in 2019; and 49% part-time and 51% full-time in 2018).

The distribution of full-time and part-time workers reflects a situation directly associated with the retail sector, where part-time backup teams are routinely required at certain times of the season, and where employment is often combined with other activities, mainly studies. In 2021, changes in the distribution of the workforce by type of working hours are explained by the large number of markets in which stores have not been able to open in full business

hours throughout the year, operating under restrictions on hours and/or the number of people allowed inside, owing to the health situation. In this context, it is important to note also that the replacements to cover the increase in medical leave among staff as a result of covid-19 led to a slight increase in the number of part-time hours.

FTE employment (Full Time Equivalent), that is, the resulting workforce after consolidating all full-time hours, constituted 90.9% of all jobs in 2021²² (89.5% in 2020, 89.2% in 2019 and 89.3% in 2018). This is a relevant indicator when it comes to explaining the quality of employment, and it reflects that part-time shifts have an extension close to full-time.

19. Type of contract and type of working day data available in the 2021 financial year for 98.2% of the workforce (not available for Belgium) (95.4% in 2020 and 94.7% in 2019). To calculate the number of contracts by type of working day by gender, age and professional classification, the corresponding percentages are applied to the total workforce data.

20. The description of the functions of the three job classification groups:

- Management: employees in managerial positions with responsibility for interdisciplinary working groups related to the areas of design, manufacturing, distribution, logistics, stores, technology, sustainability and other general services. This category includes store managers.

- Supervisors: employees who are part of interdepartmental and transversal working groups for design, logistics and stores, as well as sustainability, technology and other general services.

- Specialists: employees with an impact through 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.

21. The proportion of full-time and part-time employees reported in 2020 has been corrected. The correct figure is 50% full-time and 50% part-time.

The distribution of the part-time workforce, according to gender, age and professional classification is shown below:

Distribution of part-time employees by gender, age and job classification ²³

	2021		2020		2019		2018	
	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%
Distribution by gender								
Women	72,992	58%	56,640	52%	70,308	55%	63,292	51%
Men	19,026	48%	15,861	44%	23,601	47%	22,091	43%
TOTAL	92,018	56%	72,501	50%	93,909	53%	85,383	49%
Distribution by age								
<30 years old	65,213	72%	49,137	62%	66,978	64%	58,626	58%
30-40 years old	19,375	39%	17,576	39%	20,854	40%	21,471	41%
> 40 years old	7,430	31%	5,788	29%	6,077	29%	5,286	27%
TOTAL	92,018	56%	72,501	50%	93,909	53%	85,383	49%
Distribution by job classification ⁽²⁴⁾								
Management	493	4%	428	4%	273	3%	139	2%
Supervisor	1,873	11%	1,545	9%	1,804	9%	1,831	9%
Specialist	89,652	67%	70,528	61%	91,832	63%	83,413	57%
TOTAL	92,018	56%	72,501	50%	93,909	53%	85,383	49%

5.1.3.3. Leavers

The workforce in Spain at the end of the financial year 2021 came to 46,075 people, of whom 74% were women and 26% were men (74% women and 26% men in 2020, 76% women and 24% men in 2019 and 75% women and 25% men in 2018).

In 2021, there were 741 dismissals in Spain for various reasons (968 in 2020, 978 in 2019 and 954 in 2018). Breaking down dismissals by gender, the distribution is similar to that of the workforce, as the number of women dismissed was 537, i.e. 73%, compared to 204 men, i.e. 27% (770 women, i.e. 80%, compared to 198 men, i.e. 20%, in 2020; and 746 women, i.e. 75%, compared to 232 men, i.e. 25%, in 2019; and 721 women, i.e. 76%, compared to 233 men, i.e. 24%, in 2018).



With regard to dismissals by job classification, in Spain, 76% were concentrated in specialist positions, according to the classification previously provided (71%,

22. FTE employment data in 2021 financial year available for 91% of the workforce (not available for Belgium, United States and Turkey).

23. Type of contract and type of working day data available in the 2021 financial year for 98.2% of the workforce (not available for Belgium) (95.4% in 2020 and 94.7% in 2019). To calculate the number of contracts by type of working day by gender, age and professional classification, the corresponding percentages are applied to the total workforce data.

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

- Management: employees in managerial positions with responsibility for interdisciplinary working groups related to the areas of design, manufacturing, distribution, logistics, stores, technology, sustainability and other general services. This category includes store managers.
- Supervisor: employees who are part of interdepartmental and transversal working groups for design, logistics and stores, as well as sustainability, technology and other general services.
- Specialist: employees with an impact through 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.

71% and 75% in 2020, 2019 and 2018, respectively), for store and corporate headquarters, own factories and logistics centres alike. 14% of the dismissals have been in supervisors positions, and the remaining 10% in management positions. Regarding dismissals due to age in Spain, 43% (51%, 56% and 52% in 2020, 2019 and 2018, respectively) affected staff aged 30 to 40 years, the age group which accounts for the bulk of staff in Spain. This proportion is consistent with the distribution of the workforce in our home country, where the Company's headquarters are based. 35% of the dismissals have occurred in the group over 40 years old (representing 33% of our workforce), and the remaining 22% in the group under 30 years old (which represents 32% of our people in Spain).

Worldwide, with a workforce of 165,042 people in 2021 (144,116 in 2020, 176,611 in 2019 and 174,386 in 2018), dismissals amounted to 4,892 (5,870, 6,428 and 8,661 dismissals in 2020, 2019 and 2018, respectively). Of the total number of dismissals, the number of women who terminated their relationship with the Group for this reason was 3,441, 70%, compared to 1,451 men, 30% (4,332 women, 74% and 1,538 men, 26% in 2020; 4,344 women, 68% and 2,084 men, 32% in 2019; and 6,134 women, 71% and 2,527 men, 29% in 2018), again consistent with the gender distribution of the overall workforce. As for dismissals by professional classification, 83% are concentrated in Specialist positions (81%, 87% and 89% in 2020, 2019 and 2018, respectively), 10% in supervisor positions, and the remaining 7% in management positions, which is also consistent with our workforce distribution. By age, 60% correspond to those under 30 years of age (61%, 68% and 75% in 2020, 2019 and 2018, respectively), an age group which accounts for 58% of the Group's total employees (54%, 61% and 62% in 2020, 2019 and 2018, respectively). 30% of dismissals occur in the 30 to 40-year-old bracket (which represents 28% of our workforce), and the remaining 10% in the group over 40 years of age (which represents 14% of our people).

5.1.4. Labour relations

GRI 102-41; 102-8; AF26 AND AF29

We are strongly committed to **respecting our employees' labour rights** worldwide, and in particular their right to participation as a key element for the sustainable development of the business model.

Inditex's Code of Conduct and Responsible Practices, applicable to all Group employees, addresses re-

spect for trade union relations and rights in Chapter 3 on General Principles. The Code states that "The employees of Inditex have their right recognised to associate or organise themselves or to bargain collectively". Additionally, pursuant to section 4.2 of the Code: "Inditex makes its own, as part of its internal regulations, the contents of any national and international agreements and conventions to which it has adhered, and undertakes to promote and enforce them".

This commitment is evidenced by our global agreement for the respect and promotion of decent work and labour rights, signed in 2009 with the International Trade Union Federation UNI Global Union (UNI), the network of trade unions in the trade and retail sector, which encompasses more than 900 trade unions worldwide and represents more than 20 million workers. 100% of the Inditex Group employees are covered by the Global Agreement signed with UNI.

The Agreement between UNI and Inditex includes specific provisions regarding a number of issues governed pursuant to the principles established by the International Labour Organization (ILO):

- Among other rights, special mention is made therein to the enforcement of ILO Conventions 87 and 98 on ensuring **freedom of association and the right to collective bargaining**. In this regard, the Agreement states that 'Inditex recognises the right of trade unions to represent the workers and to regulate through collective bargaining the terms and conditions of their employment'.
- The **freedom to join any trade unions and non-discrimination** on account of membership to a trade union as part of labour relations is also ensured. Additionally, pursuant to ILO Conventions 100 and 111 and based upon non-discrimination on employment, equal opportunities and equal treatment for all people and non-discrimination in terms of remuneration for equal jobs are upheld. Inditex is committed to complying with applicable national laws and/or conventions, in furtherance of ILO Conventions 1 and 47 and of ILO Recommendation 116 concerning the working week and hours of work.

As for the scope of application of the Agreement with UNI, in addition to the reference to the protection and promotion of fundamental rights, the Group is committed to meeting the requirements laid down in national laws and in national collective bargaining agreements regarding working hours, protection of a safe, healthy and sustainable work-



ing environment, and promotion of best practices for occupational health and safety with the appropriate equipment and training. The Agreement between Inditex and UNI covers minimum rights for the staff of the various companies within the Group, given that in any event, such provisions, whether statutory, contractual or included in a collective bargaining agreement which confers higher rights, will always be respected.

Further to the above referred Agreement between Inditex and UNI, United Food and Commercial Workers International Union (“UFCW”), a US trade union and member of UNI, was interested in reaching a specific agreement with the Company for the stores in the USA covering the terms of the above-referred 2009 Agreement. 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 agreement that currently extends to 24 stores in the states of New York, New Jersey and Connecticut (21 stores in 2020).

Meanwhile, the Inditex Group’s European Works Council (EWC), formally set up in 2019, was de-

vised to be a body for assurance and effectiveness of information and consultation of employees on transnational issues. Consequently, it played a crucial role during the pandemic as a natural liaison for the Company in all matters related to the situation arising from the global health emergency, but also as guarantor of the Digital Transformation Plan Agreement, which remains in force.

With the involvement of the local trade union representation and monitoring by the members of the EWC, in 2021 progress was made consensually on this state framework agreement between the retail brands of Inditex in Spain and the Federations of Services of the trade union CC.OO. and the Services, Mobility and Consumer Affairs Federation of the trade union UGT, on the working conditions of the staff in stores absorbed as a result of the implementation of this Plan and the *Integrated Store* concept.

One of the main developments in connection with the European Works Council (EWC) this year has been the launch of a working group on gender equality. In this regard, in June 2021, training on this topic was provided by UNI Global Union for



all EWC members and alternates. In addition, two other EWC plenary sessions were held during the year to inform members of key aspects of the Group regarding the economic situation, progress on the Digital Transformation Plan in the rest of the European countries, health measures implemented during the year, and investments made in humanitarian matters, among other topics. All eight member countries took part in the sessions, held in May and November.

Furthermore, regarding international social relations, a Collective Bargaining Agreement was signed between Zara Luxembourg and the trade unions, dated 22 October 2021 and in force from 1 November 2021 to 31 October 2024.

The progress was reflected in the health of social dialogue at the local level at Inditex subsidiaries, with training provided to human resources teams and store managers concerning trade union rights and cooperation with our workforce's legal representatives. The works councils and management

of our subsidiaries meet periodically to inform, consult and listen to the union representatives and reach agreements to improve people's working conditions and quality of life. Markets such as France, Italy, Germany, Austria, Belgium, Luxembourg, Norway, Sweden, Finland, Denmark, Chile and Argentina represent tradition in labour relations, while other countries like Poland are exploring new ways to manage their workforce on a day-to-day basis, with new employee representation. But even in markets where there is no trade union culture, there are ways that aim to achieve the same goal, namely people's engagement in their working environment. Such is the case in South Korea, where there is a collegiate body of 3 members who represent the rest of the employees in regular monitoring meetings and in the agreements reached with the company regarding working conditions.

Overall, the measures implemented this year in terms of social relations mean that, globally, the percentage of employees covered by local collec-

tive bargaining agreements remains at 60% (60% in 2020, 56% in 2019, and 70% in 2018) while, in Europe, the percentage is close to 70%, as in 2018, 2019 and 2020.

Work organisation

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, of which the Company is a party, and commits itself to comply with them.

Regarding organisation of work, the Code specifically regulates respect for the time limits set by the applicable laws in each country in terms of weekly working hours and overtime.

This commitment to compliance with working hours is addressed in the Global Agreement with UNI, which includes a section on the guidelines provided in ILO Conventions 1 and 47 regarding eight-hour days and 40-hour weeks, respectively, and in Recommendation 116 regarding reduction of normal working hours established as a minimum standard for each country.

In practice, laws and collective bargaining agreements applicable to Inditex establish maximum annual working hours for employees, based upon which work schedules are agreed. Inditex has in place a working time control system, in accordance with the applicable legislation in each market.

Constant attention to market developments throughout the year has enabled us to react in a timely and proper manner to the needs arising from changing health scenarios, and thus to keep adapting organisational measures to ensure the health and well-being of our people. Furthermore, our teams of managers play a crucial role in monitoring compliance and seeking improvements in the working environment, holding regular individual meetings with staff to discuss other social challenges and concerns they may have in the store, beyond mere compliance with labour regulations.

5.1.5. Remuneration policy

GRI 103-2; 103-3; 102-35; 102-8; 102-36; 102-37; 102-38; 102-39 AND 405-2

Our policy on remuneration seeks to adapt, at all times, to each of the 60 working markets where we operate, always commensurate with the Group's

culture and values, respecting the specific identity of each commercial brand. Accordingly, we strive to ensure that the remuneration standard is adapted to the local reality of each market, establishing remuneration according to the reference practices of each of these markets in local currency.

The remuneration policy at Inditex **guarantees non-discrimination** by reason of sex, age, culture, religion or ethnicity or any other circumstance. In this regard, the team of professionals at Inditex are remunerated according to their professional skills, experience, dedication and responsibility undertaken. Inditex's remuneration comprises a fixed component and a variable component.

Experience, personal contribution to the work, and responsibility within the organisation determine the fixed remuneration. Variable remuneration depends fully on predefined, quantifiable and measurable indicators, all linked to the Company's results. Based on this criterion, variable remuneration does not depend on a discretionary assessment of a person's individual performance, but is based solely on objective parameters. The purpose is to guarantee non-discrimination. In this regard, **variable remuneration is one of the key components of Inditex's remuneration policy and applies to employees in all areas of the Company's activity.** We encourage decision-making and initiative at all levels, and we reward people in proportion to the responsibility assumed.

In stores, our most widely used variable remuneration system is that of the monthly sales commission scheme. This is a way to reward the engagement of store employees in such key issues as sales results, feedback on products and store coordination and organisation. Over the last few years, we have started implementing a new system of in-store variable remuneration with a special focus on transparency and simplicity and taking into account the changing environment.

Moreover, true to our values of transparency and results orientation, in 2020 we aligned the Group's sustainability objectives with those of the office staff in terms of remuneration. Accordingly, **the achievement of our sustainability goals is a component of our office employees' variable remuneration.** This underpins our commitment to our people in this regard, highlighting the fact that our variables are fully linked to business results. In addition, during 2021, the level of achievement with structural variables has improved, thus enhancing the recognition of extraordinary results in our employees' remuneration.



Gender pay gap

To analyse differences in salaries by gender, the pay gap is the clearest indicator in methodological terms. The gender pay gap is calculated based upon the median salary in each market (considering total salary: fixed + variable, consisting of commission and bonus), weighted according to each area of activity of the Group (store, central services, logistics and factories). This median is in turn weighted according to each market's weighting over the aggregate number of Inditex employees. As a result, a global reliable indicator of pay gap between male and female workers in the Group is obtained.

The outcome of the analysis carried out in 2021 shows **wage parity between men and women in Inditex**. In total salary terms, women are paid 0.3% more than men, indicating a slight variation from previous years (in 2020, men were paid 0.4% more than women; in 2019, women were paid 0.2% more than men; and in 2018, women were paid 0.8% more than men), which is explained by staff turnover during the period.

Pay gap

	2021	2020	2019	2018
Total	0.3%	-0.4%	0.2%	0.8%

The wage gap by geographic area is detailed below:

Pay gap by geographic area

	2021	2020	2019	2018
Spain	-0.8%	-0.8%	0.5%	1.0%
Europe without Spain	0.4%	-0.7%	-0.6%	0.2%
Americas	1.7%	2.6%	3.6%	0.3%
Asia and rest of the world	1.8%	-1.1%	-0.1%	0.0%
TOTAL	0.3%	-0.4%	0.2%	0.8%

Global average remuneration

Average remuneration is defined as the average wages in the Group (taking into account the total salary: fixed plus variable, consisting of commission and bonus), translated into euros, using the average exchange rate in 2021. Based on this calculation, global average remuneration in this period at Inditex amounted to 23,701 euros (gross) annually (23,959, 22,073 and 20,996 euros in 2020, 2019 and 2018, respectively).

With regard to this figure, it should be noted that the number of employees in Spain, our home market, only represents 28% of the total, and a significant portion of the 72% remaining staff are based in markets where wages translated into euros result to lower average remuneration (28% and 72% of workforce in 2020, 2019 and 2018, respectively).

By gender, the average remuneration of women in 2021 amounted to an annual gross figure of 22,770 euros, and that of men came to 26,502 euros (women: 22,749

euros in 2020, 21,142 euros in 2019 and 19,935 euros in 2018; men: 27,657 euros in 2020, 24,897 euros in 2019 and 23,556 euros in 2018). It should be pointed out that these two figures are not representative in terms of equal pay: the pay gap between men and women is due to a higher presence of women in a significant number of markets where average remuneration is lower on account of the exchange rate effect.

Regarding equal pay, the gender pay gap is a transparent indicator of pay received by men and women. In fact, the gender pay gap is calculated by market (weighted with the weight each of them represents), allowing for the isolation of the impact of the different local currencies, changes in the exchange rate and the geographic distribution of the workforce.

Based on these premises, the average remuneration by age and by job classification is provided below:

Total Wages in €				
	2021	2020	2019	2018
JOB CLASSIFICATION²⁵				
Management	52,744	50,050	51,327	47,804
Supervisors	33,840	32,859	31,002	27,963
Specialists	20,875	20,751	19,260	18,480
AGE				
Under 30	17,054	16,598	16,444	15,350
Between 30 and 40	28,689	28,214	27,433	26,320
Over 40	42,130	43,648	42,297	41,062

5.1.6. Our people's health, safety and well-being

GRI 102-10; 102-8; 102-12; 103-2; 103-3; 403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-7; 403-8; 403-9; 403-10; 413-1; AF24 AND AF31

Over the course of 2021, we have continued to monitor the impact of covid-19 during the various waves that have occurred in the different markets, as well as its potential short- and medium-term effects on workers, customers, suppliers and other stakehold-

ers. Our priority continues to be to **guarantee the necessary health and well-being** for our Company to function normally.

5.1.6.1. Health and safety protection

At Inditex, we have an Occupational Health and Safety Policy, the latest version of which was approved by the Board of Directors in their meeting



FOR MORE INFORMATION

on our Occupational Health and Safety Policy.

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

- Management: employees in managerial positions with responsibility for interdisciplinary working groups related to the areas of design, manufacturing, distribution, logistics, stores, technology, sustainability and other general services. This category includes store managers.
- Supervisor: employees who are part of interdepartmental and transversal working groups for design, logistics and stores, as well as sustainability, technology and other general services.
- Specialist: employees with an impact through 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.

of 10 September 2019. This policy states that the Company “strongly believes that health and safety at work enables and increases productivity and guides the way the Company operates its business activities”.

In 2021, the **ISO 45001:2018 certification** process continued, with the objective of guaranteeing the safety, health and well-being of employees and stakeholders commensurate with the highest international standard on OH&S Management Systems. During the year, sales and design activity was certified in Mainland China, Russia, Luxembourg, Canada, Romania, Argentina, Uruguay, Slovenia, Montenegro and Serbia, up to a total of 25 markets. In addition, during the fiscal year, progress was made in the ISO 45001 Certification Audit process at manufacturing and logistics companies in Spain and certification was obtained for this activity at the Cajamar Distribution Centre in Brazil. In 2022 the plan is to advance in the implementation of the ISO 45001 standard in India and at the distribution centre in Mexico.

80% of the company’s own employees who work in Inditex Group’s activities, companies and markets—over 132,000 people—do so in areas where the highest standard in the Occupational Health, Safety and Well-being Management System is implemented, in keeping with the maximum requirements of the ISO 45001 standard and in a process of continuous improvement.

As for the execution of refurbishment and construction works of stores and singular buildings in Europe within the Inditex Group, carried out by the company GOA INVEST, S.A., it is also certified to ISO 45001, the highest international OH&S standard.

Employee health and safety training

Training is a pivotal and indispensable activity for occupational health and safety, for both companies and workers. For companies, it represents a measure to help reduce accidents, while for workers it is a means of acquiring knowledge of their workplace, any risks to which they might be exposed, and how to prevent them effectively.

Occupational health and safety competencies and qualifications form a body of specialised knowledge. There are as many types of training programmes as there are tasks or jobs, and different objectives are set, ranging from training required for a management position to training that aims to equip workers with the knowledge they need to work safely.

In this case, the number of workers receiving on-the-job training in 2021 is reported.

Workers trained/Market

Market	2021
Spain	14,706
Germany	434
Argentina	781
Australia and New Zealand	404
Austria	579
Belarus	386
Belgium	1,309
Brazil	671
Bulgaria	590
Canada	1,702
Chile	201
Mainland China	5,782
Croatia	1,030
Slovakia	436
United States	2,687
France	2,870
Greece	1,244
India	63
Ireland	432
Italy	3,494
Kazakhstan	970
Luxembourg	181
Mexico	1,398
Norway	6
Poland	4,182
Portugal	1,888
United Kingdom	4,568
Czech Republic	479
Romania	2,567
Russia	1,573
Serbia	910
South Africa	42
Turkey	2,338
Ukraine	1,314
Uruguay	322



5.1.6.2. Promoting well-being

Inditex, Healthy Organisation

At Inditex, we see promoting the health, safety and well-being of all our employees as a priority. In 2021, the Group’s companies in Spain, Italy, the United Kingdom and Ireland maintained their Healthy Company certification, and the markets of Japan, Portugal, Greece, Argentina, Mexico, Uruguay, Germany, Poland, Turkey and Chile were included. This standard identifies **cross-cutting issues in managing the Health, Safety and Well-Being** of individuals based on physical and psycho-social issues, in resources allocated to the health of the workers, and in the participation of the company and its workers in the community, and it is based on the World Health Organization model. In addition, the goal for 2022 is to obtain certification for the Group’s companies in Mainland China, Belgium, Luxembourg, Romania, Canada, Croatia and Bulgaria.

Well-being Committees

In 2021 we also made progress in setting up new Well-Being Committees in Bulgaria, Mexico, Mainland China, the United Kingdom, Ireland, Italy, Portugal, Chile, Japan, Romania, Greece, Russia, Turkey and Croatia; in Spain they have been set up at Massimo Dutti, Bershka and Oysho brands. These are cross-cutting bodies for the promotion and coordination of a range of initiatives and actions aimed at promoting people’s well-being, in such varied aspects as diversity, equality, health, inclusion, work-life balance, mental and psycho-social health, working hours, food, ergonomics, work spaces, sports activities, employee mobility, events and social actions (participating in world days and employee engagement in the community).

Promoting health

Considering the current special circumstances, in 2021 we celebrated World Day for Safety and Health at Work with the slogan 'The power of resilience'. This global awareness campaign included all the markets in which Inditex is present and all Group companies.

Inditex also runs the **InHealth portal**, which focuses on promoting health and healthy habits among the Group's employees, through news, actions or challenges adapted to their working environment, aimed at raising awareness on the importance of maintaining a balance between body, mind and emotions. This portal is currently accessible in 22 markets, having been launched during 2021 in Croatia, the Netherlands, Japan and Chile. Furthermore, in 2022 it is scheduled to be rolled out in Romania, Belgium, Luxembourg, India, Australia and Serbia. InHealth received 165,980 visits over the 2021 financial year.

Health services

The commitment to our workers' healthcare is a principle of the Inditex Group's Health and Safety Policy. Accordingly, in all logistics and manufacturing centres there is a **medical service** available to workers which, among other functions, carries out periodic medical check-ups and other complementary health control tests for workers, as well as flu vaccination campaigns.

Likewise, in the markets where we operate we are developing health services initiatives as part of the objectives of the Healthy Organisation certification, such as the psychological support line in Mainland China, South Africa and Portugal, additional health insurance in Slovakia, Greece, Turkey, India, Romania or Canada and initiatives in other markets related to physiotherapy services, additional eye tests with subsidies for acquiring prescription glasses and more frequent medical check-ups involving additional types of tests in addition to those legally established in the local legislation.

Prevention of musculoskeletal injuries

In relation to the prevention of musculo-skeletal injuries, at Inditex we continually assess the **ergonomic conditions associated with physical strain** in tasks

carried out at work centres, both by our teams and by third parties who perform their activities there. Through this assessment, based on an entirely preventive approach, we identify tasks that involve manually handling loads, awkward postures and repetitive movements in order to plan preventive actions on ergonomic conditions, aimed at protecting workers' health. For this purpose, we provide initial training on musculo-skeletal injuries to all workers at our logistics centres and stores.

In 2021, we continued to implement initiatives such as the 'Let's Move' Posture Coach, Ergo@Home training or the Prevent and Recover Plan, which includes training at various partner centres for yoga, pilates, swimming pool with specific exercises or training on 'Caring for your Back' at stores. All these training sessions reached more than 5,000 workers in the period.

5.1.6.3. Health and safety indicators

In 2021, we compiled information on accidents in our own logistics, store, office, manufacturing and construction activities. The risks we have studied include falls on the same or different levels, as well as sprains or strains due to overexertion in the activity. This helps us to work on preventive and remedial measures.

When analysing health and safety indicators, we consider an occupational accident to be any bodily injury to a worker during or as a consequence of the work performed as an employee, while an occupational disease is a disease whose onset is a result of the work performed as an employee in the activities and specified in the professional illnesses chart of the activity, according to local legislation. Such disease must be a result of the action of elements or substances indicated in said chart for each occupational disease.

In 2021, we registered 12 occupational accidents with recovery periods of more than 180 days in Spain, and 34 in other markets (6 and 0 in 2020, respectively). On the other hand, no death resulting from an injury or accident at work has been recorded in any of the markets where the Group operates.

Other accident rates ²⁶

2021²⁷

Spain	Incident rate²⁸	Frequency rate²⁹	Severity rate³⁰
Own stores			
Women	15.2	12.79	0.28
Men	15.1	11.26	0.20
Logistics centres	Incident rate²⁸	Frequency rate²⁹	Severity rate³⁰
Women	85.4	63.83	2.03
Men	107.8	74.66	2.25
Own factories	Incident rate²⁸	Frequency rate²⁹	Severity rate³⁰
Women	19.2	10.55	0.44
Men	53.7	21.07	0.67
Central services	Incident rate²⁸	Frequency rate²⁹	Severity rate³⁰
Women	1.8	0.88	0.01
Men	3.3	1.63	0.04
		Incident rate²⁸	Frequency rate²⁹
Europe³¹			
Women		14.83	12.80
Men		15.37	11.64
Asia and rest of the world ³²			
Women		5.28	3.80
Men		4.53	3.03
Americas³³			
Women		13.04	9.43
Men		11.58	7.85
Occupational diseases			
	Logistics centres	Own stores	Own factories
Spain			
Women	2	0	7
Men	5	0	2
Rest (Europe, America and Asia and rest of the world)			
Women	0	23	NA
Men	0	13	NA

26. Accident data are shown as ratios only, as these are a reliable representation of the Company's health and safety performance.

27. In the process of implementation of Systems to report data on severity rates in Europe, America, Asia and the rest of the world.

28. Incident rate with leave = (No. accidents with leave * 1,000) / Average no. workers.

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

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

31. Albania, Austria, Belgium, Belarus, Bosnia Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Montenegro, the Netherlands, Norway, Poland, Portugal, Republic of North Macedonia, Romania, Russia, Serbia, Slovakia, Slovenia, Sweden, Switzerland, Turkey and the United Kingdom.

32. Australia, New Zealand, India, South Korea, Japan, Mainland China, Kazakhstan, Hong Kong, Taiwan and South Africa.

33. Argentina, Brazil, Canada, Chile, United States, Mexico and Uruguay.

2020³⁶

Spain	Incident rate³⁴	Frequency rate³⁵	Severity rate³⁷
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			
	Incident rate³⁸	Frequency rate³⁹	Severity rate
Women	2.68	1.77	0.38
Men	2.50	1.4	0.47
		Incident rate³⁸	Frequency rate³⁹
Europe⁴¹			
Women		13.06	14.76
Men		15.31	17.29
Asia and rest of the world⁴²			
Women		4.50	3.73
Men		4.00	3.26
Americas⁴³			
Women		40.86	45.84
Men		31.20	34.20

Occupational diseases

	Logistics centres	Own stores	Own factories
Spain			
Women	4	1	2
Men	10	0	0
Rest (Europe, Americas, Asia and rest of the world)			
	Europe	Asia and the rest of the world	Americas
Women	21	0	23
Men	3	0	11

34. Incident rate with leave = (No. accidents with leave * 1,000) / Average no. workers.

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

36. In the process of implementation of Systems to report data on severity rates in Europe, America, Asia and the rest of the world.

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

38. Incident rate with leave = (No. accidents with leave * 1,000) / Average no. workers.

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

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

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

42. Australia, South Korea, Japan, Mainland China and South Africa.

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

2019

Spain	Incident rate⁴⁴	Frequency rate⁴⁵	Severity rate⁴⁶
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
		Incident rate⁴⁴	Frequency rate⁴⁵
Europe			
Women		20.80	17.50
Men		17.30	13.50
Asia and rest of the world			
Women		3.50	2.60
Men		2.80	2.00
Americas			
Women		17.90	13.00
Men		15.40	10.70

Occupational diseases⁴⁷

	Logistics centres	Own stores	Own factories
Spain			
Women	10	1	9
Men	9	0	0

44. Incident rate with leave = (No. accidents with leave * 1,000) / Average no. workers.

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

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

47. Data on occupational diseases outside of Spain in 2019 are not included, nor data on occupational diseases in 2018, since there is no information on these indicators for these periods.

Other accident rates

2018

Spain	Incident rate ⁴⁸	Frequency rate ⁴⁹	Severity rate ⁵⁰
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
		Incident rate ⁴⁸	Frequency rate ⁴⁹
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

In financial year 2021, the total number of hours of absenteeism due to common illness, corresponding to 95.4%⁵¹ of the Group's employees (including all logistics and store employees in the world and office employees in Spain), amounted to 11,028,054 hours (10,761,725 hours in 2020, corresponding to 96% of employees; 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 in financial year 2021, corresponding to 92.7% of Group's employ-

ees (including all logistics and store employees in the world), amounted to 169,194,610 hours (92% of employees and 132,302,227 hours in 2020).

Accidents involving employees from external companies⁵²

The Health and Safety protection of the workers of external companies that provide their services on a permanent basis in the work centres is part of the Inditex Group's commitment. In 2021 there were work-

48. Incident rate with leave = (No. accidents with leave * 1,000) / Average no. workers.

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

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

51. There is no available information on the remaining 4.6%.

52. The Group is working to improve its reporting systems in the commitment to continue making headway in reporting accidents at suppliers in new markets in future reporting periods.

place accidents in Spain (33), Germany (2) and Russia (0) in sales, design, logistics and own manufacturing activities (5, 3 and 1, respectively, in 2020).

With regard to refurbishment and construction works of stores and singular buildings, there were 38 workplace accidents—contractors and sub-contractors—in the following markets: Australia (1), Slovakia (1), Spain (26), France (1), the Netherlands (3), Ireland (1), Italy (3), the Republic of Northern Macedonia (1) and Serbia (1).

Emergency management

So as to **actively manage at all times the risks** that may arise in any workplace, and in keeping with our philosophy of following the precautionary principle, we have designed, prepared and implemented **Emergency and Evacuation Plans and Self-Protection Plans** that establish the organisational and functional criteria in the different facilities. The objective is to prevent, control and provide an adequate response, from the outset, to potential emergency situations that may cause harm to people and/or their property.

Through these plans, we comply with the regulatory requirements applicable to occupational risk prevention and occupational health and safety, as well



as with the internal requirements established by the Group for the workplaces.

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

In the last four years, the following actions were taken:

2021

Brand	Self- Protection Plan	Emergency and Evacuation Plan	Emergency and Evacuation Plan
		New	Updated
Bershka	9	6	14
Massimo Dutti	12	3	1
Oysho	2	5	24
Pull&Bear	6	3	31
Stradivarius	5	16	17
Uterqüe	1		
Zara	27	17	36
Zara Home	4	5	7
Total	66	55	130

2020

Brand	Self- Protection Plan	Emergency and Evacuation Plan	Emergency and Evacuation Plan
		New	Updated
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

2019

Brand	Self- Protection Plan	Emergency and Evacuation Plan	Emergency and Evacuation Plan
		New	Updated
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

2018

Marca	Self- Protection Plan	Self- Protection Plan	Emergency and Evacuation Plan	Emergency and Evacuation Plan
	New	Updated	New	Updated
Bershka			24	
Massimo Dutti	1		18	9
Oysho			17	
Pull&Bear			14	32
Stradivarius			56	4
Uterqüe		1	5	
Zara	1	2	47	74
Zara Home			8	8
Total	2	3	190	127

Emergency, Self-Protection and Evacuation Plans

Market	2021	2020	2019	2018
Spain	251	251	184	322
Albania	0	41	33	38
Germany	14	122	138	0
Argentina	12	11	11	11
Australia and New Zealand	1	19	2	0
Austria	0	25	23	24
Belarus	0	0	0	25
Belgium	3	0	3	0
Bosnia Herzegovina	0	4	16	13
Brazil	3	7	2	0
Bulgaria	0	35	40	39
Canada	0	0	0	43
Chile	1	1	0	13
Mainland China	9	167	164	0
South Korea	0	40	46	1
Croatia	1	3	10	43
Denmark	0	0	0	17
Slovakia	7	16	16	16
Slovenia	2	16	5	40
United States	12	16	0	2
Finland	0	0	0	8
France	15	378	300	0
Greece	158	164	166	165
Hungary	0	39	39	39
India	0	0	0	0
Ireland	0	20	0	13
Italy	476	70	285	287
Japan	1	4	3	3
Kazakhstan	0	2	36	80
Luxembourg	0	0	12	0
North Macedonia	7	0	5	5
Mexico	399	315	116	38
Montenegro	0	0	2	0
Norway	0	0	1	8
The Netherlands	5	0	0	0
Poland	230	245	248	238
Portugal	5	18	0	0
United Kingdom	27	14	0	49
Czech Republic	0	22	0	24
Romania	3	143	0	10
Russia	110	124	0	123
Serbia	0	23	0	26
South Africa	0	0	0	9
Sweden	0	2	0	0
Switzerland	0	40	0	0
Turkey	7	229	0	15
Ukraine	45	0	0	0
Uruguay	4	4	0	4

Other emergency management activities are summarised in the tables below

2021

Work centre	Description
Stradivarius Headquarters	Platform Evacuation Drill
Meco Platform	Practical Fire Prevention Training at the Meco Logistics Platform
Cabanillas Platform	Practical Fire Prevention Training at the Cabanillas Platform
Plataforma Europa, S.A.	Plataforma Europa, S.A.
Zara Home Logistics	Evacuation drill

2020

Work centre	Description
Industria de Diseño Textil S.A.	Evacuation drill at the Laracha logistics centre
Factories	Evacuation drill
Bershka Indipunt Pull&Bear logistics Meco logistics platform Tordera offices (all concepts) Oysho logistics	Event Report - New SS20 Collection
Indipunt	Evacuation drill
Pull&Bear logistics	Updating of Self-Protection Plan and Drill
Meco logistics platform	Updating of Self-Protection Plan
Tordera offices (the entire chain)	Report on process drill
Oysho logistics	Report on process drill

2019

Work centre	Description
Pull&Bear logistics	EEP (Works) Provisional Canteen Narón
TEMPE, S.A.	Classroom course on First Intervention Teams
Pull&Bear	Event (El Instante Foundation)
Industria de Diseño Textil, S.A.	EEP and Implementation Talent Centre Inditex Barcelona
Industria de Diseño Textil, S.A.	EEP and Implementation Talent Centre Inditex Madrid
Plataforma Europa, S.A.	Platform Evacuation Drill
Meco platform	Platform Evacuation Drill



5.1.6.4. Covid-19 care

At Inditex, we endeavour to ensure the health and safety of our people, especially in these difficult circumstances. In 2021 we have made headway in the implementation of the New Normal Measures based on adapting swiftly to the epidemiological situation in each market.

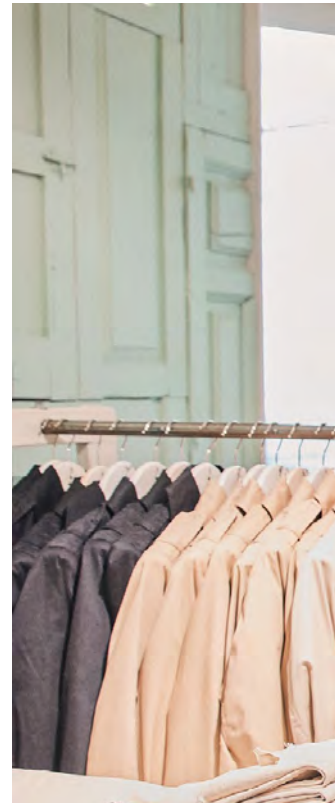
To achieve this, we have actively implemented the measures established by the health authorities to safeguard the health and safety of our employees. Accordingly, we have maintained and updated measures such as:

- Defining the prevention measures and protocols to implement in our various workplaces and markets.
- Normalising and adapting our staff's work processes.
- Monitoring the effective implementation of preventive measures to protect our employees' health.
- Providing regular information to our employees regarding the prevention measures set forth in corporate protocols and/or by the health and other local authorities, pandemic developments, etc.
- Creating and consolidating committees to manage the emergency, headed by the management of each business unit.
- Compiling data on the epidemiological situation and monitoring the impact of covid-19 on our employees.
- Updating our protocols based on published information and verifying their adequacy at all times with the applicable standards and guidelines issued by the various competent authorities in the different markets.
- At headquarters and logistics centres, a varied raft of measures has been put in place to create safe common spaces and areas (mainly in canteens and rest areas), such as adapting seating capacities, marking distances, removing furniture to ensure social distancing and/or facilitating the movement of people and, in some cases, the placing of protective screens.
- Installing protective screens in most workstations.
- Prioritising video calls and other telematic applications and reducing seating capacity in meeting rooms.
- Adapting smoking areas to the new regulations, moving them away from doorways and transit areas and, in all cases, ensuring compliance with social distancing.

5.2.

Collaborating with our customers, the force driving transformation

Related material topics: Responsible communication; Customer orientation; Innovation.



The relationship with our customers is the cornerstone of our business model, and shapes each and every phase of our value chain. Consequently, we understand that listening to their demands is the basis of a singular activity that enables us to ascertain which products they want and to make them available at the most suitable time and place. Furthermore, our customers' insights and comments are key in driving us to achieve a more sustainable industry.

5.2.1. Inditex, a model by and for the customer

GRI 103-2; 103-3; 416-1; 416-2 AND 417-1

At Inditex we work to **satisfy the interests and desires of our customers**, ensuring the proper functioning of all the inner machinery of our Company: stores, design, manufacturing and logistics. This effort enable us to offer products that combine design, quality and sustainability at accessible prices, while also allowing us to make progress in aspects such as circularity, diversity and transparency, key values that underpin a relationship of mutual trust.

This commitment means implementing a continuous process of active listening and dialogue with our customers to understand their needs and promote new proposals, initiatives and services to respond to them. For example, over the course of the year Zara has launched new product lines such as Beauty, its cosmetics range, or Athleticz, a new sportswear section for athletes from all disciplines.

Innovation is a pivotal axis of this task and is a necessary pillar for our Company to continue evolving its proposals and services, always hand-in-hand with its customers, who drive us to be more efficient every day. At Inditex we have an **stores and online integrated platform** of that place our customers in direct contact with fashion, allowing them to access our offer in their chosen time, place and manner. That is why we are continuously working on new experiences to help us progress in terms of the availability of our products and the tools to better reach our customers.

[More information in section 4.3. Innovation, vital for transformation of this Report.](#)

Among the multiple options offered by this model, our customers may choose to access our new arrivals online, and complete the purchase in a store. Or they may visit a store as the initial point of contact with our products, buy online and request delivery to their home or a pick-up point of their convenience.

One of our customers' chosen ways of learning about our commercial offer is to visit the websites



Our stores and online integrated platform puts our customers in direct contact with fashion.

of our various brands, the online showcase for our products. In 2021, our websites received **more than 6.2 billion visits**⁵³ (more than 5.2 billion in 2020 and more than 3.5 billion in 2019), equating to more than 17 million daily visitors to our brands' online stores.

These figures are a testament to the importance of listening to our customers, learning how they relate to us through the various channels and identifying and meeting their needs in the way that best suits them, especially in a context of transformation and changing consumer habits. Only by doing so can we continue to develop a model that suits their daily needs, fostered by constant dialogue.

[i More information in section 4.1.1. Business model and strategy of this Report.](#)

To ensure a pleasant and satisfactory shopping experience for our customers, Inditex endeavours to guarantee the accessibility of its facilities, both in store and online. In this regard, the Group's stores

are compliant with the architectural standards of accessibility, while the brands' websites follow the Accessibility Guidelines or General Accessible Design Principles established by the Web Accessibility Initiative (WAI) Working Group, belonging to the World Wide Web Consortium (W3C).

In addition, this year we have also strengthened the accessibility menus on the Group's websites. This functionality, the adoption of which began in previous years, is now available on our corporate website and the online stores of our brands. The menus, visible from the home pages of each website, provide a variety of voice and browsing, colour and content settings to ensure an inclusive and barrier-free browsing experience for users and customers.

At Inditex we believe that our commitment to our customers also implies anticipating their demands in areas such as **diversity, sustainability or transparency**, issues in which we want to involve them in our efforts and progress. In this regard, of particular importance is our Join Life label, which distinguishes the most sustainable garments and highlights their environmental attributes.

[i More information in section 5.4. Collaborating to transform through sustainable management of our products of this Report.](#)

53. The data on visits to websites reported comes from Google Analytics and does not include visits from users who have rejected cookies.

Accordingly, we continually update our brands' websites to include content that keeps our customers informed of the most notable actions in sustainability carried out in the various spheres of our value chain. Likewise, the development of projects such as Changemakers or our for&from stores, managed by people with disabilities, enables us to make progress in our strategy of achieving a positive impact, engaging our people and customers as we do so.

① More information in section 5.1. *Collaborating with our people, the engine of that transformation of this Report.*

5.2.2. Response to our customers in 2021

GRI 103-2; 103-3; 416-1; 416-2 AND 417-1

The relationship with our customers goes beyond the shopping experience. At Inditex, we believe that a satisfactory experience is one that allows us to accompany the customer from the moment they see a product in a store window or on one of our brands' apps right through to the garment's end-of-life process.

To meet this challenge, we have a large **customer service team** to respond to our customers' needs in the more than 200 markets in which our articles are available. Our teams serve customers in the native languages of all the markets in which we have a commercial presence.

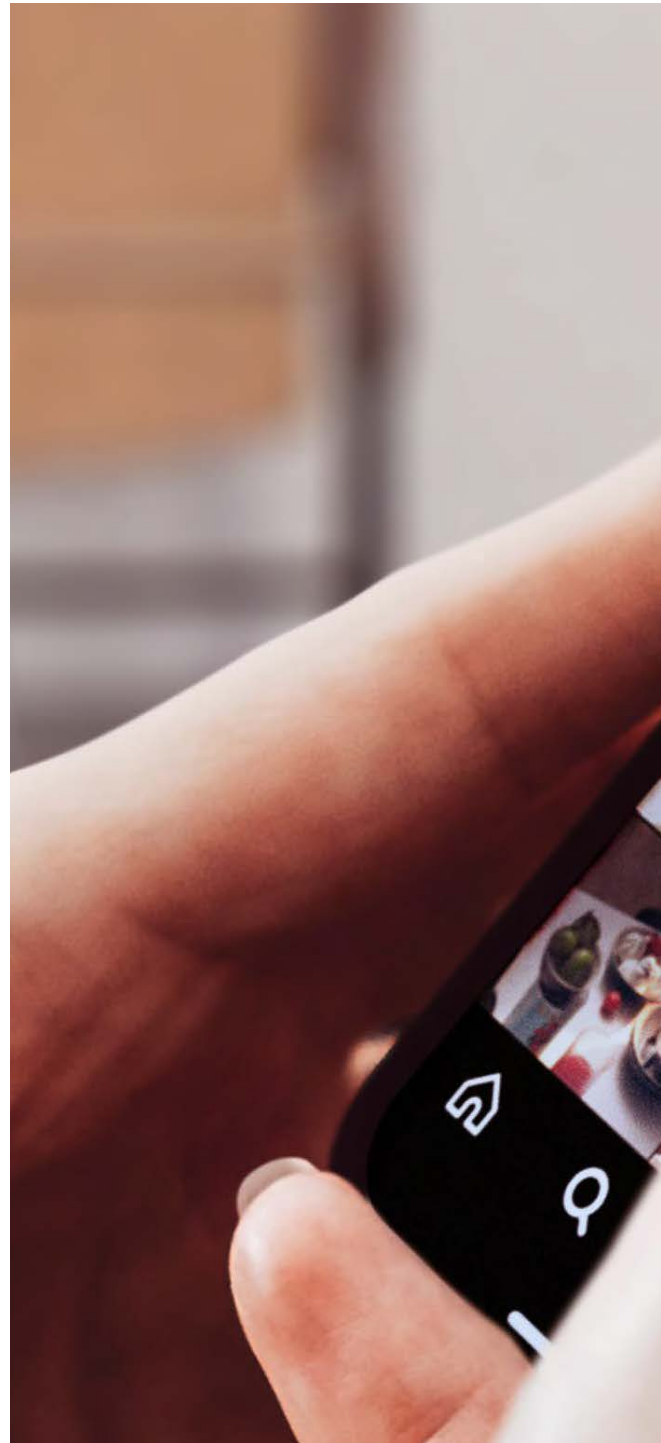
In addition, we train our teams in product knowledge, its sustainability features, store processes, customer orientation and respect for diversity and inclusion.

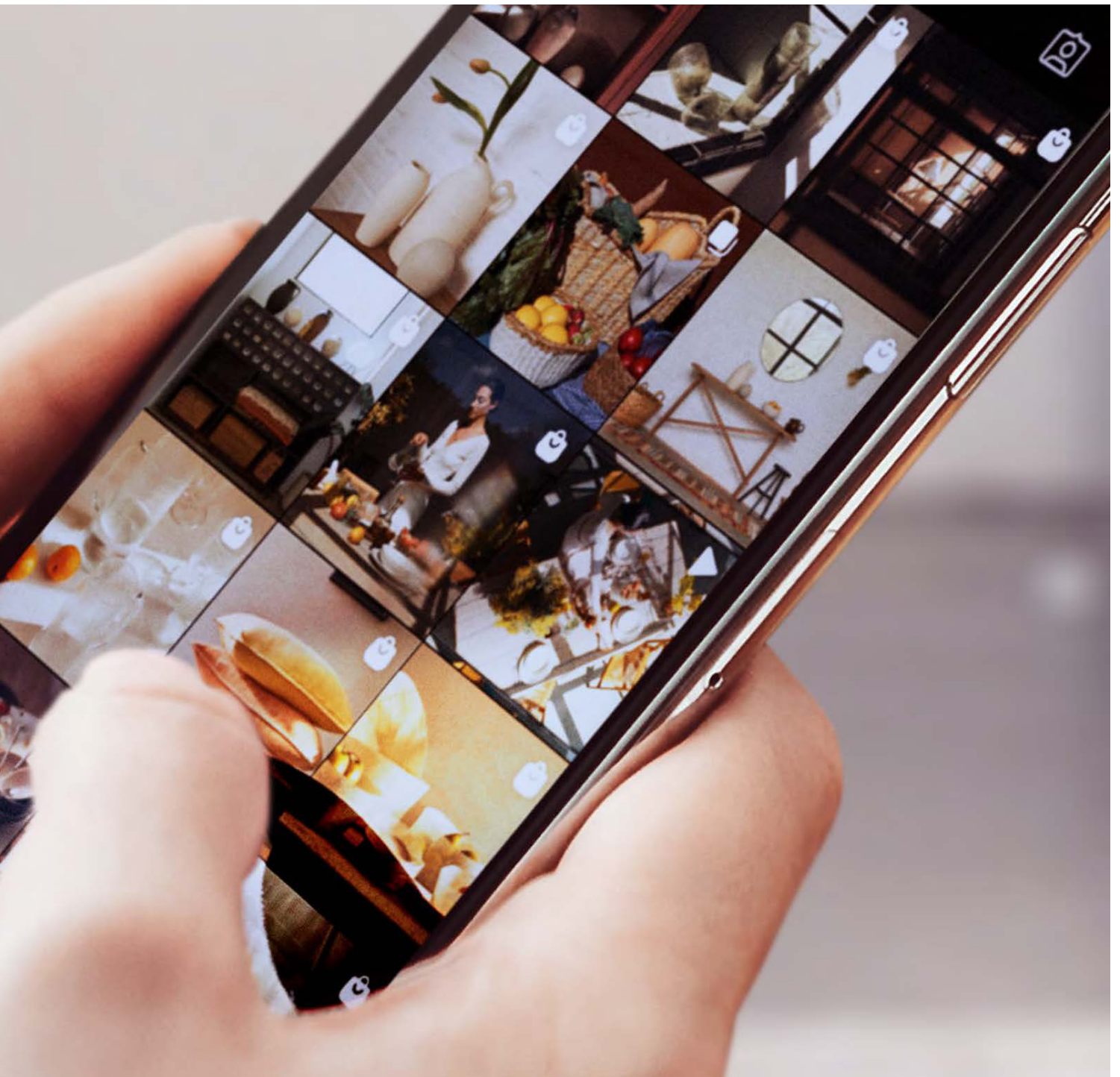
5.2.3. Customer service channels: contacts and service level

GRI 417-1; 416-1 AND 416-2

In 2021, we handled a total of **51,609,795 contacts** from our customers (calls, e-mails, chats and messages via social media profiles). The customer service teams of all our brands responded to a variety of issues linked to products, purchase processes, shipments, possible incidents or current issues affecting our retail concepts, among others.

The rise in online sales in the last two years has increased the number of contacts, since most queries received referred to questions about order status or delivery periods. Service level (meaning the percentage of contacts resolved over the total and weighted in accordance with the contacts of each brand) was **98%**.





2021 MILESTONE

Visits to our website have continued to increase, reaching more than 6.2 billion in 2021. Our brands have also seen a notable increase in their social media followers, which now exceed 228 million.

In 2021, we handled more than 51 million contacts from our customers through all our channels.

Response to our customers

	2021			2020			2019			2018		
	No. of contacts	Service Level	No. of services provided	No. of contacts	Service Level	No. of services provided	No. of contacts	Service Level	No. of services provided	No. of contacts	Service Level	No. of services provided
ZARA	37,188,449	98%	36,433,559	40,009,841	92%	36,848,936	21,559,476	97%	20,912,691	19,320,000	96%	18,547,200
ZARA HOME	2,544,199	97%	2,477,226	2,856,719	98%	2,800,376	1,368,310	93%	1,278,275	905,907	92%	833,434
PULL&BEAR	3,079,063	96%	2,956,030	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>	2,595,172	98%	2,548,597	2,902,437 ⁵⁴	93% ⁵⁴	2,707,888 ⁵⁴	2,010,181	93%	1,869,468	1,366,782	89%	1,216,436
Bershka	2,656,660	98%	2,601,334	2,551,062	84%	2,150,189	1,161,875	92%	1,068,925	1,874,696	85%	1,593,492
♣ STRADIVARIUS	2,266,446	98%	2,214,808	2,241,811	83%	1,860,808	1,212,346	71%	860,766	1,511,405	97%	1,466,063
OYSHO	1,062,508	99%	1,046,787	1,393,302	93%	1,299,341	889,846	99%	881,214	922,297	80%	737,838
UTERQUE	217,298	98%	212,990	129,951	81%	105,644	90,635	85%	76,904	97,864	93%	91,014
Total	51,609,795	98%	50,491,331	55,809,878⁵⁴	90%	50,439,474⁵⁴	30,100,931	95%	28,514,056	29,032,743	94%	27,337,240








In 2021, Inditex's brands exceeded **228 million** followers in the various social media platforms (199 million in 2020, 175 million in 2019 and 143 million in 2018).

The count of brands' followers includes the profiles on the leading social media platforms. The Instagram and Facebook accounts of each brand, with more than 90 million and 67 million users, respectively (more than 80 million and 65 million in 2020; more than 70 million and 61 million in 2019; and 55 million and 60 million in 2018) are the social media accounts with the highest number of followers.

The various social media platforms of Inditex together accumulated over 228 million followers in 2021.

Followers in social media

Main social media platforms of our brands by number of followers:

								Others	Total
ZARA	51,588,720	30,502,473	23,259,336	3,086,745	1,531,102	1,436,114	1,075,821	3,722,575	116,202,886
ZARA HOME	7,200,000	2,975,973	2,320,000	121,565	243,700	86,600		192,066	13,139,904
PULL&BEAR	7,382,537	7,425,066	6,580,000	226,498	185,751	368,343	361,816	507,170	23,037,181
<i>Massimo Dutti</i>	3,117,753	4,373,286	4,500,500	357,147	18,300	80,831	83,200	399,696	12,930,713
Bershka	10,200,000	11,900,000	7,870,000	334,000	403,000	447,000	209,000	663,700	32,026,700
♣ STRADIVARIUS	7,500,000	6,100,000	4,200,000	106,000	119,000	243,000	129,000	226,000	18,623,000
OYSHO	2,789,689	3,428,362	3,785,111	160,760	58,400	112,689		355,747	10,690,758
UTERQUE	940,568	369,802		32,014	5,434	18,677	9,387	62,007	1,437,889
Total	90,719,267	67,074,962	52,514,947	4,424,729	2,564,687	2,793,254	1,868,224	6,128,961	228,089,031

54. Due to an improvement in the data extraction and consolidation systems, the data on contacts received and handled, and the service level at Massimo Dutti reported in the 2020 SNFI (828,848; 700,505 and 85%, respectively) were revised for this report. The table below also shows the actual data for total contacts received and handled for the entire Inditex Group in 2020.



5.2.3.1. Complaint and response mechanisms

Over the course of 2021, our brands handled 13,076 formal complaints through Customer Services in all the markets where we have a commercial presence. In this regard, all Inditex brands classify claims and complaints according to the kind of queries received.

This figure includes complaint forms and claim procedures in Spain using official complaint and response mechanisms, a total of 5,288 cases (4,814; 6,436 and 6,586 cases managed in Spain in 2020, 2019 and 2018, respectively). Of the total, Inditex responded to 3,263 complaint forms and 460 claim procedures, including mainly inspection requests and summons (2,956 complaint forms and 500 claim procedures in 2020).

Health and Safety claims

The health and safety of our products is paramount to Inditex. Consequently, our sustainability teams set **strict standards** to ensure that all our products comply with the most stringent requirements and recommendations in all the markets where we operate.

These teams are, furthermore, in permanent contact with store staff and customer service in order to respond to any query or incident that may arise. Accordingly, any notification from our customers, from social organisations or from any inspection body is forwarded to our technical experts for evaluation and follow-up. In cases where there are signs that a product on sale might be insecure for consumers, such product would be withdrawn from the market, all units sold would be recalled and customers would be notified through the relevant channels. All of this is regulated through solid guidelines that establish how to proceed in these exceptional situations, allowing not only rapid and effective identification of such cases, but also the taking of immediate action.

In 2021 there were two recalls linked to product health and safety. In such cases, we implement specific programmes to identify the root cause of the issue, so as to adopt the necessary measures to prevent this from happening again. In 2020, 2019 and 2018, there were no product recalls.

[More information in section 5.4.4. Health and safety of our products of this Report.](#)



5.3

Collaborating with our shareholders, allies in transformation

Related material topics: Stakeholder engagement.



Our shareholders are our allies in driving this transformation. Hence, we foster open communication with them and we guarantee their access to information, encouraging their involvement in decision-making. We combine attractive, predictable and sustainable shareholder retribution with the reinvestment of profits in the Company's present and future growth – key to continue fostering the sustainable transformation of the industry.

2021 MILESTONE

The FTSE4Good Index awarded Inditex a score of 4.9 out of 5.

Inditex has been included in this sustainability equity index since 2002. In the last three years, the Group has scored 4.9 out of 5.

5.3.1. Ownership structure and shareholder remuneration

The approximate overview of the ownership structure⁵⁵ of Inditex is as follows:

Inditex shareholders 31/01/2022	Shares	%
Pontegadea Inversiones, S.L.	1,558,637,990	50.01%
Partler 2006, S.L.	289,362,325	9.28%
Rosp Corunna Participaciones Empresariales, S.L.	157,474,030	5.05%
Institutional	1,054,983,804	33.85%
Retailer	51,967,546	1.67%
Treasury shares	4,226,305	0.14%
Total	3,116,652,000	100%

55. Shares in the Company are represented through book entries. The record of these book entries is kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (Iberclear)*.

The shareholder remuneration policy, approved by the Inditex Annual General Meeting, aims to offer an **attractive, predictable and sustainable dividend over time**, consistent with the Company's growth. This policy prioritizes maintaining a high level of funds to guarantee investment in the Company's future growth and ensure value creation.

In line with this policy, in the month of May and November 2021, the dividend corresponding to the 2020 financial year of 0.70 euros per share was paid. In the 2021 financial year, a total of 2,180 million euros was paid to shareholders as a 2020 dividend. The Inditex Board of Directors will propose to the Annual General Meeting a dividend of 0.93 euros per share for the 2021 financial year. It will be made up of an ordinary dividend of 0.63 euros and an extraordinary dividend of 0.30 euros per share. The dividend is made up of two equal payments of 0.465 euros per share, the first payment will be made on May 2, 2022 and the second will be paid on November 2, 2022. Inditex maintains its dividend policy, which combines a 60 % of ordinary payout and extraordinary dividends.

5.3.2. Investor relations

GRI 102-53

All the communication channels, as well as Inditex's relations with its current or potential shareholders, are governed by the **Policy on Communications and Contact with Shareholders, Institutional Investors and Proxy Advisers**, as well as by the Regulations of the Board of Directors.

Inditex guarantees the market (shareholders and potential shareholders in particular) equal access to information through all its channels. The Inditex website plays a very significant role in this regard, including, for example, an Investor's Agenda, as well as reports and presentations on the Company's performance. The Group's website also features a comprehensive list of the companies and analysts that compile reports and research on its performance and with whom it maintains regular relations governed by the same aforementioned parameters.

Individual Shareholders' Department

In 2021, we handled around 800 requests from individual shareholders for information on the Company by means of the Shareholders' Department. Any individual investor may contact this

channel to obtain detailed information on the evolution of the business, Inditex's strategy, or any other matter they consider relevant to the future of the Group.

The Individual Shareholders' Department takes on particular significance when the Annual General Meeting, which traditionally takes place in mid-July, is called. Inditex sends out accurate information and documentation to provide shareholders with adequate knowledge of the meeting called and the proposed content thereof, as well as to facilitate their participation in the decision-making process of the Group's highest governing body.

Investor Relations Department

Material information concerning the business performance is provided on Inditex's corporate website and distributed to a database of investors and analysts containing more than 1,100 entries.

The **Investor Relations** staff hold quarterly, open-access conference calls to complement this information. Moreover, Inditex makes presentations to analysts and investors over the course of the year in the world's leading financial capitals.

Likewise, a total of 35 financial and stock market entities publish analysis reports on Inditex's market position. The Company's shareholder structure comprises institutional shareholders, holding 33.85% of the share capital, together with individual investors, holding 1.67%, who play a key role in the formation of the share price and its liquidity.

5.3.3. Indices

In keeping with the mandate of its shareholders, Inditex is listed in **benchmark indices**, from the perspective of both its financial performance and best practices in sustainability matters.

Euro STOXX 50/IBEX 35

Inditex has been listed on the European benchmark index Euro STOXX 50 since 2011 and on Spain's selective IBEX 35 index since 2001.

FTSE4Good

The FTSE4Good sustainability index, which has included Inditex in its index since October 2002, awarded it in 2021 a **score of 4.9 out of 5**. This sustainability stock index includes companies worldwide with the strongest commitment in this

Junta General de Accionistas 2020



sphere, taking into account their environmental, social and corporate governance practices.

Dow Jones Sustainability Index (DJSI)

Since 1999, the *Dow Jones Sustainability Index* has been analysing the performance in terms of sustainability of listed companies from a total of 61 sectors. In 2021, our Company scored 75/100 in S&P's Global Corporate Sustainability Assessment (score date: 12 November 2021). As a result,

Inditex scored in the 98th percentile in the retail sector, meaning that **98% of companies achieved an equal or lower** ESG score. With regard to the environment, Inditex was awarded a score of 94/100, i.e., in the highest percentile (100).

Specifically, 94 companies from the retail sector were invited to participate in the evaluation carried out in 2021 by S&P Dow Jones Indexes, with Inditex being one of 12 member companies of the DJSI World index, and one of five in the DJSI Europe index. The minimum score for inclusion in these indexes was 66 and 44 points, respectively.

	Inditex's score				Percentile rank ⁵⁶				Average score in the sector			
	2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
Economic and governance	70	67	63	61	98	97	92	93	25	27	29	26
Environmental	94	97	95	91	100	100	100	100	22	25	31	23
Social	69	72	57	61	98	97	92	100	20	20	22	19
Total	75	75	68	68	98	99	97	100	23	24	28	23

56. Percentage of companies in the same sector scoring equal to or lower than the score obtained by Inditex.



5.4

Collaborating to transform through sustainable management of our products

Related material topics: Stakeholder engagement; Innovation; Environmental footprint minimisation; Protection of natural resources; Product sustainability; Circularity.



Sustainable management of our products is crucial to transform our sector. At Inditex, we see circularity as a very important tool to achieve real transformation in our industry, and we work with a number of players, from competitors to industry organisations, to achieve this. Furthermore, we are mindful of the importance of offering our customers sustainable products. Raising awareness among them regarding, for example, best practices for caring for our products, in turn drives the transformation we target.

2021 MILESTONE

New sustainability commitments

The Group approves new sustainability targets in its Annual General Meeting. These notably include:

- In 2022, more than 50% of articles will feature the Join Life label.
- In 2023, all cotton and man-made cellulosic fibres used will come from more sustainable sources, ramping up the previous cotton target by two years.

5.4.1. Our approach to circularity

GRI 103-2; 103-3 AND 306-4



As part of our commitment to sustainable development, **at Inditex we are strongly committed to circularity**, an economic, management and production model that enables growth while conserving natural resources and advancing in the decarbonisation of the value chain. For us, circularity represents a differential model for production and consumption that spans every stage of a product from design to end of life, promotes the recycling and reuse of articles to extend their life cycle and thus minimises the use of natural resources, energy consumption and waste generation.

Integrated into our corporate strategy and our Sustainability Roadmap, **circularity encompasses the entire business model**: from the various processes carried out along the value chain to the management of commercial space, including logistics, product design and the Company's offices. We therefore strive to achieve a more resilient and sustainable activity in the long term. We also believe that circularity represents a great opportunity not only for Inditex, but for the entire industry and the community as a whole, as it represents a paradigm shift that benefits people, the environment and the economy.

Consistent with this concept of circularity, the fibres and materials we use must be designed to achieve the greatest possible longevity, while at the same time being resource efficient, non-toxic and recyclable. In this way, we are focused on minimising our impact on the value chain through process efficiency and the quest for more sustainable materials, on extending the life of our products through innovation, and on promoting recycling and reuse when they reach the end of their life cycle. Innovation and technological development are, therefore, essential to meet the challenges posed by the development of new materials and new processes as we advance towards this circular model.

In order to close the life cycle of our products and the materials we use, when reuse is not possible, we work to consider waste as a **secondary raw material** and, as such, we endeavour to collect it and reintroduce it into the production processes. As an example of this, we provide locations for our customers to deposit their articles when they decide to dispose of them: our *Closing the Loop* programme. We are also committed to ensuring that by 2023 the waste generated at our own facilities —headquarters, logistics centres, factories and stores— does not end up in landfill, a goal we are working towards through our Zero Waste programme.

We are aware that achieving a fully circular model is not an issue that can be tackled by individual initiative alone; it requires a concerted effort by consumers, industry, the scientific community and governments. **Collaboration is key**, and at Inditex this occurs through our involvement in various projects and initiatives both within our industry and across multiple sectors, which add up to our individual projects. Thus, we join forces to support the production and marketing of sustainable and circular products, encourage reuse and promote collection and recycling.

As part of this holistic view of circularity, we share our experience and align positions with relevant stakeholders, thus contributing to the debates held on this subject. Accordingly, we address this issue both collectively, through sector associations or specific partnerships, and individually. We want to help define actions to overcome barriers to circularity, stimulate its collective and collaborative management and support public and private investment and innovation.

Our main lines of work on circularity revolve around minimising impact at all stages of the value chain, focusing mainly on the supply chain, product use and end-of-life. Raising consumer awareness also has a very significant part to play in the strategy. In our view, in a circular economy, consumers will play a vital role not only in making purchasing decisions, but also in sorting, recycling and reusing products. Hence, we join forces and work to obtain a harmonised framework of action for consumer empowerment and protection.

MINIMISING IMPACT...



... in the supply chain

Recycled raw material projects with less impact:

- ✓ **Programas t2t** (*textile to textile*).
- ✓ **Poliéster reciclado.**



... in the use of products

- ✓ Optimising systems and partnerships with third parties within the **Closing the Loop** programme for the **collection of used garments**.
- ✓ Research to identify materials that require less maintenance.
- ✓ Training for buying teams, on raw materials coming from more sustainable sources and wet processes, to foster a more sustainable product.
- ✓ Research into promoting maintenance with a lower impact.
- ✓ Research into measuring and reducing the release of microfibres when washing the garment.
- ✓ Research into increasing the usability of garments.



... at the end of life

- ✓ **Zero Waste** Programme
- ✓ **Green to Pack** Programme.
- ✓ **Closing the Loop** programme: Promoting **Closing the Loop** garment identification and classification systems, according to their qualities, composition and colour, in collaboration with our partners.
- ✓ Evaluation of monomaterial design through designer training.
- ✓ Driving design with recyclable colours.

RAISING CONSUMER AWARENESS

Consumer information and empowerment regarding their role in circularity.



Traceability and transparency.

The Group's commitment to traceability and transparency also plays a key role in circularity to ensure that our products are made with the most environmentally-friendly raw materials and production processes. Furthermore, traceability and transparency are two fundamental tools for empowering consumers, and we also provide them with information on the origin, impact and characteristics of the most sustainable materials in our collections on the Group's brands various websites, so that they can make more responsible choices.

Circularity poses technological, industrial, economic and regulatory challenges that cannot be overcome without a **firm commitment to innovation**. As this is a key element of our business model,

the Group devotes great efforts to research and development to bring quality products to the market with the lowest possible environmental impact. For example, we invest in obtaining raw materials from more sustainable sources and more efficient production and recycling techniques. We are mindful of the importance of transforming the concept of waste into a valuable resource that can be recovered and reintroduced as a raw material in the various production systems.

The results of these innovation efforts are evidenced in the various circularity projects launched by the Group's brands.

More information in section 4.3. *Innovation, vital for transformation of this Report.*

Featured collaboration projects

At Inditex we are aware that our sustainability objectives can only be achieved through **collaboration**, both within our sector and with other industries, as well as with all our stakeholders. In this regard, we work with prestigious entities such as the Massachusetts Institute of Technology (MIT) and Cáritas, among others, to advance in our strategic circular economy focus.

MIT Spain - Inditex Circularity Seed Fund

This is a fund set up by Inditex to finance collaborative projects between research teams comprising **MIT** faculty and students (under its MISTI - MIT International Science and Technology Initiatives) together with Spanish universities and non-profit research institutions.

The projects financed are aimed at developing **recycling or transformation initiatives**, creating textile fibres by new, non-polluting methods or from waste, as well as any other sustainable initiative related to the circular economy in the textile industry.

In 2021, the fifth period for applications to this fund was opened to finance research in areas such as:

- New textile recycling techniques.
- Creating new fibres based on sustainable technologies.
- New methodologies for improving maintenance and extending the use of garments.
- Optimising the biodegradability of garments.
- Developing new fibre-level trace systems.

The second three-year edition covers the 2020-2022 period and Inditex has contributed an amount of 450,000 dollars (403,370 euros, at the exchange rate at the close of 2021 financial year).

Among the projects funded by this initiative, we highlight the **University of Vigo's Chemical Recycling project**, focused on overcoming the challenge of chemical recycling for fabrics with mixed compositions.

Additionally, also in collaboration with MIT (specifically, with the Department of Material Science and Engineering), in 2019 we set up the Inditex Materials Science and Engineering Fellowship Fund with the aim of promoting research on sustainability.

Accelerating Circularity

Accelerating Circularity is a collaborative project of the textile industry that combines efforts of various actors **to develop circular supply chains**, with a special focus on chemical and mechanical recycling of synthetic and cellulosic materials. With the support of organisation such as Textile Exchange, Euratex, Wrap, Circle Economy, Fashion for Good, ReFashion or Apparel Impact Institute, among others, the project is aimed at establishing systems that harness the value and resources in existing textiles to create new products. This reduces the amount of textile waste going to landfill annually, therefore helping reduce the environmental impacts of the industry and the need for virgin materials.

In June 2021, the European arm of Accelerating Circularity was launched, with Inditex as a founding partner and member of its Steering Committee along with other representatives of fibre manufacturers, textile waste and supply chain experts, as well as brands and retailers. We are also members of this initiative's Brand and Retailer Working Group in the United States. From our position, we work with the value chain actors such as collectors, sorters and mechanical and chemical recyclers of various technologies to identify the requirements for producing recycled fibre using post-consumer textiles. The short-term objective is to scale up pilot production of collections incorporating recycled fibres from textile waste produced in Europe.

Global Fashion Agenda: Call to Action

In 2021, we continued to work with the non-profit organisation Global Fashion Agenda, which runs the Global Fashion Summit (formerly Copenhagen Fashion Summit) and calls upon fashion brands and retailers to implement **actions to boost circularity**.

Of the projects in which we collaborate, we highlight our involvement in the Circular Fashion Partnership with GFA, BGMEA and Reverse Resources.

Circular Fashion Partnership

Inditex is one of the founding partners of this cross-sectoral project, led by *Global Fashion Agenda* with *Reverse Resources* and BGMEA (a Bangladeshi employer association) as project partners. **The aim is to develop the textile recycling industry in Bangladesh**, using secondary raw materials from post-production fashion to make new products.

This project facilitates collaboration between textile manufacturers, recyclers and fashion brands operating in Bangladesh. The workflow is structured into two stages. The first focuses on traceability and recovering waste flows. Manufacturers in Bangladesh work together with the partner brands and are supported by *Reverse Resources* to establish the sorting of cutting waste at their premises. Waste flows are combined with a recycling solution that provides an 'integrated solution' with traceability for all the parties involved. In the second stage, once the waste flows have been redirected to recycling solutions, the project's participants assess the opportunity of making these flows circulate back into production. The price of the material must be moderate (it must not exceed that of virgin material), fully traceable and of the highest possible quality.

Over the course of the year, Inditex brands Pull&Bear and Bershka have contributed to this project, involving our supply chain and bringing some of our local suppliers on board.

Also in 2021, as members of the Circular Fashion partnership we took part in an event with political leaders and textile industry executives in Bangladesh to discuss opportunities for overcoming the barriers to developing a circular industry in the country. In addition, the initiative this year published a study (*The Scale and Value of Bangladesh Textile Waste*) evidencing the importance of fostering recycling in Bangladesh.

Ellen MacArthur Foundation. Make Fashion Circular

In 2021 we have strengthened our strategic alliance with the *Ellen MacArthur Foundation*, becoming a partner. At the same time:

- We have renewed our participation as a member of the Advisory Board for its Make Fashion Circular initiative.
- We have joined the Jeans Redesign initiative with six of our brands.

- We have ramped up our ambition on reducing plastics by signing a new pledge through the Global Commitment, led by the Ellen MacArthur Foundation.

Our collaboration with Make Fashion Circular has led us to participate in **developing a common vision of the circular economy for fashion** that we have integrated into our strategy. This vision was defined thanks to the contribution of over 100 experts and aims to develop a common language for the fashion industry: *Used more, Made to be made again* and *Made from safe and recycled or renewable inputs*.

Moreover, we have contributed to the Foundation's research project *Circular business models: Redefining growth for a thriving fashion industry* (2021), along with Boston Consulting Group, which compiles growth forecasts and circular business models, examining strategic topics necessary for these models to be able to develop their economic and environmental potential.

We have also contributed to the *Circular Design for Fashion Book* (2021), the Ellen MacArthur Foundation's new eco-design guide for the fashion world, based on the principles of the circular economy and in the development of the Product Design Tool, aimed at affording key insight into how to make design decisions to ensure products last longer and can be repaired, recycled and, at the same time, manufactured using the most environmentally-friendly materials and processes.

Lastly, with respect to the Jeans Redesign initiative, we also contributed to compiling its eco-design guide for producing denim articles in keeping with the principles of the circular economy.

Euratex recycling ReHubs

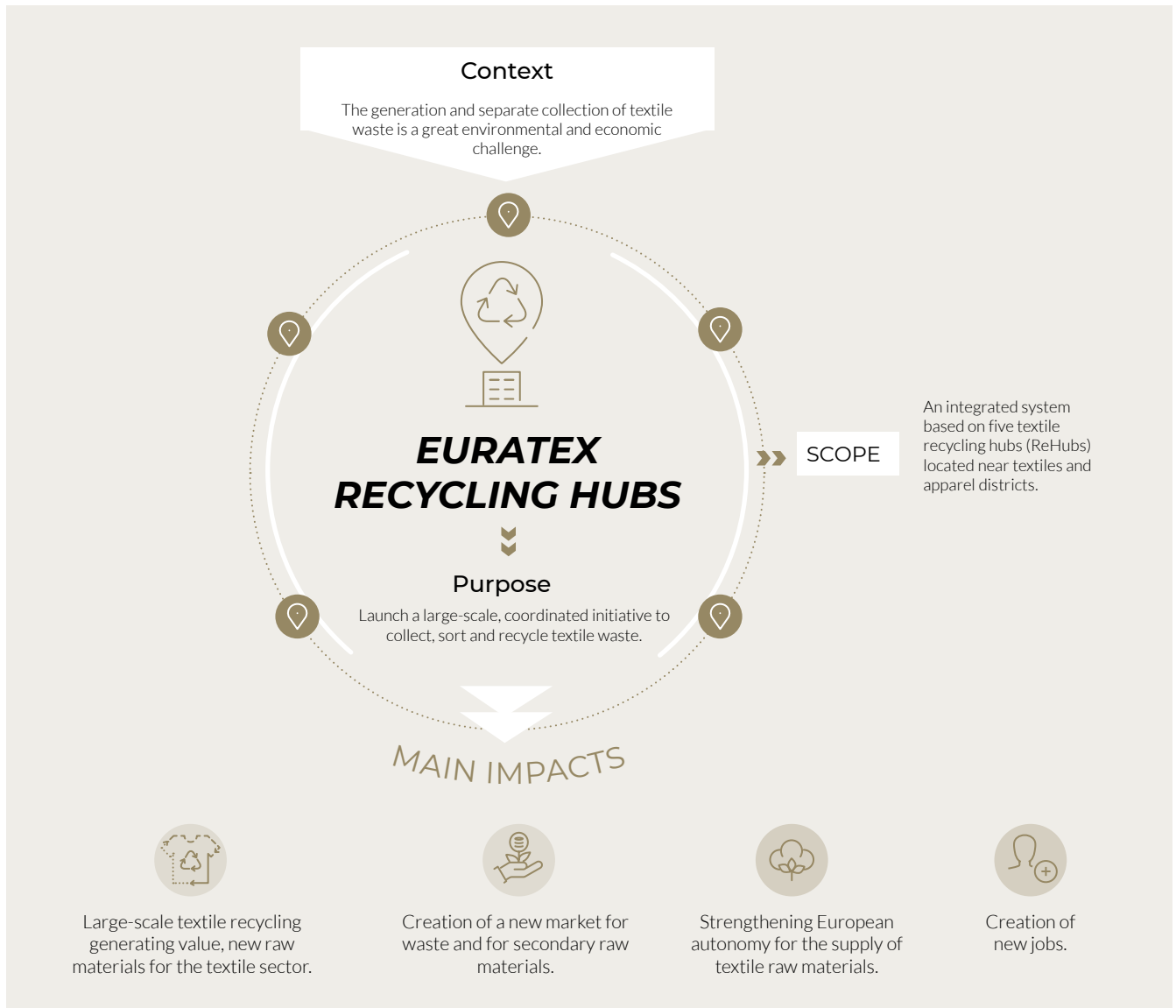
We support Euratex in the development of a proposal to create five recycling centres or ReHubs in Europe for the purpose of **collecting, processing and recovering textile waste**. This project was submitted by Euratex to the European Commission in November 2020 with the backing of Inditex and other key European businesses. In 2021, we also joined the initiative's business council.

This year, ReHubs focused on identifying adequate financial resources to develop technological and economic feasibility studies for the five ReHubs and trigger a broader public-private partnership. Inditex, as a member of the business council, took part in the definition of the technical requirements for carrying out those feasibility studies.

Located close to Europe’s textile and garment hubs, these ReHubs will bring the benefits of the circular economy to these areas by recycling textile waste and offering a completely new, coordinated and large-scale process for materials management. At the same time, they will enable the creation of a new European market for recycled raw materials that will save additional costs linked to waste, also boosting cooperation between manufacturers and buyers throughout the

value chain by pooling know-how about products, recyclability and design.

In Spain, Inditex works with the Spanish Intertextile Council, *Consejo Intertextil Español* (CIE), to define the properties, needs and network of synergies of Euratex’s Spanish *ReHub*.



PEF Pilot for Apparel and Footwear

This European Commission project is aimed at developing a shared methodology to **calculate the environmental impact of clothing and footwear**, based on Life Cycle Analysis (LCA).

Inditex we have taken part in the pilot edition of this programme as members of the Technical Secretariat, helping to define such a methodology and a simplified approach to Life Cycle Analysis.

Convinced that a common methodology based on standard industry principles can help accelerate the transition towards more sustainable products, at In-

In 2021, the secretariat submitted for public consultation the first version of the PEFCR (*Product Environmental Footprint Categories Rules*), a doc-



ument that includes specific methodological rules for clothing and footwear products, for review by the stakeholders.

Keeping Workers in the Loop with BSR

The goal of this initiative, in which Inditex is actively involved, is to **map and explore the impact on labour of the transition to a circular economy** model in the fashion industry –primarily in the United States, India and Europe–.

This is a global collaborative project, backed by the Laudes Foundation and led by Business for Social Responsibility (BSR), in partnership with CMS – Social Impact Specialists and economists from the University of Lincoln. Its mission is to analyse how the shift towards circular fashion may affect job opportunities, quality and consumption-production dynamics, developing potential future scenarios including, for example, automation and climate change.

After compiling all this information, the project aims to develop recommendations for fashion industry leaders, policy makers and other stakeholders to promote circular models with decent and inclusive employment opportunities that are resilient to future changes.

Fashion for Good

Fashion for Good is a global initiative for accelerating innovation specialising in the textile sector. Through this platform, brands, producers suppliers, non-profit organisations and innovators work together to **scale sustainable solutions**.

At Inditex we participated in a study on the actual typology of post-consumer textile waste according to its characteristics and composition. The aim is to gauge textile waste sorting capacities in Europe.

In addition, in December 2021 we signed an agreement with Fashion for Good to accelerate various sustainability projects for our industry and society in general.

5.4.2. Design and selection of materials

GRI 102-13; 103-2; 103-3; 413-2; 306-1; 306-2; 306-3; 301-1; 301-2; 301-3; AF18; AF19; AF20 AND 304-2

5.4.2.1. Design

At Inditex we work to offer **high-quality, healthy, safe and environmentally-sustainable** products. Our designers set about making their drawings taking these considerations into account, as well as the availability of more sustainable raw materials and the aim of maximising the life cycle of our articles, prolonging their durability or facilitating their subsequent recycling.

To ensure that our designers and buying and product teams master the best practices in circularity and sustainability, we provide them with training focused primarily on sharing with them Inditex's vision of sustainability, inspiring them, and informing them of the variety of available more sustainable raw materials, the most efficient and cutting-edge manufacturing processes, circular design by article type and the corporate tools we have to ensure, for example, the traceability of the processes, among other aspects.

Article evaluation

Ensuring that our products are healthy and safe, both for consumers and for the workers involved in their production, **begins at the design stage**, since aspects such as the raw materials chosen or the processes necessary for their manufacture are parameters that influence their health and safety.

To ensure compliance with our *Safe to Wear* (StW) article safety standard, we provide the supplier with detailed manufacturing guidelines that include, among others, measurement tables with requirements for the position of appliqués and cords, maximum lengths of free ends, ways to attach components and accessories to the garment, frequency of checking small parts during garment manufacturing or what to do when a broken needle is found, among other relevant information to ensure the safety of the final product.

① More information about our *Health and Safety standards* in section 5.4.4. *Health and safety of our products* of this Report.

5.4.2.2. Selection of materials

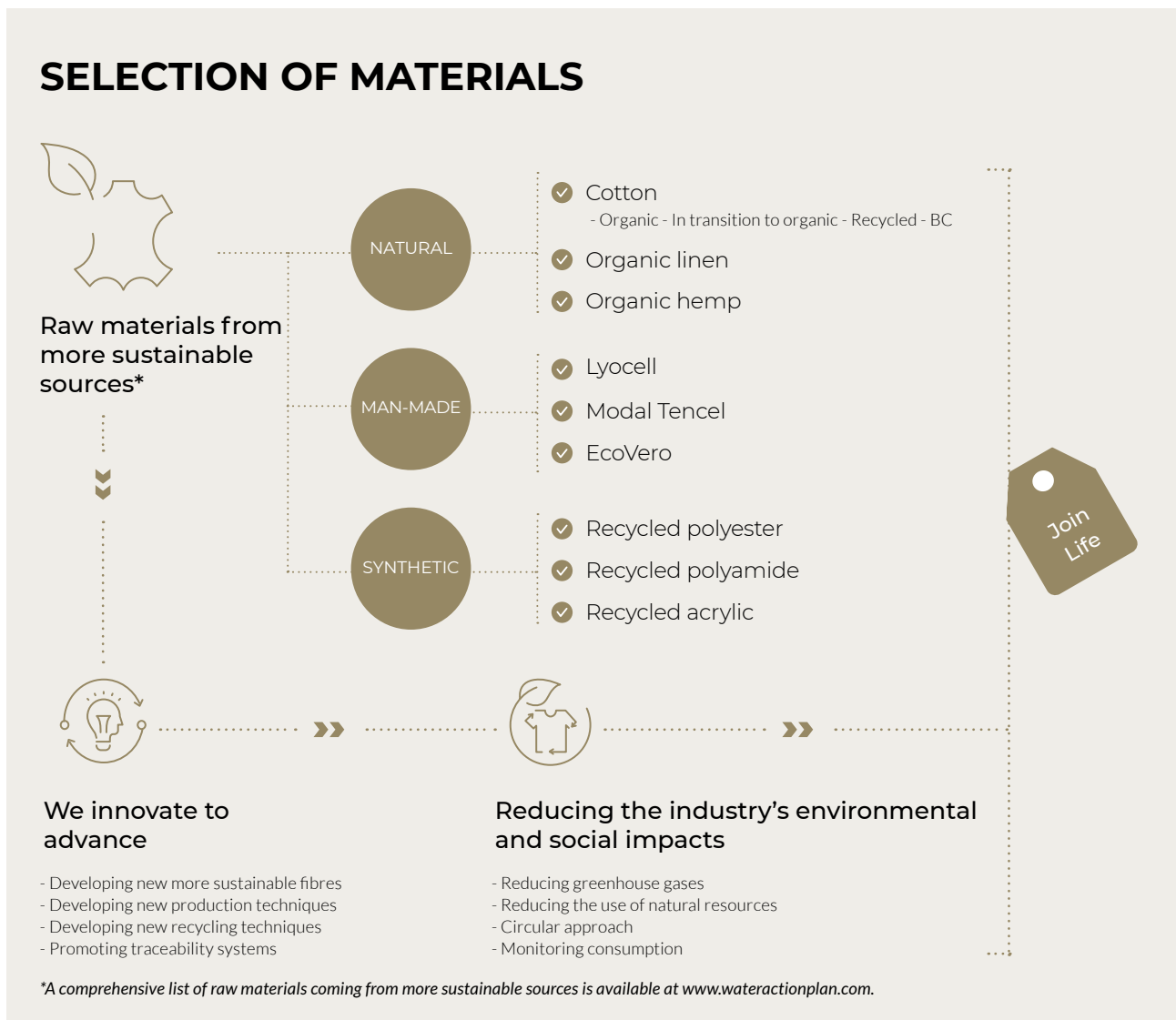
In line with our unwavering commitment to protecting the planet and its ecosystems, reducing the impact on resources and the fight against climate change, **choosing raw materials from more sus-**

tainable sources for our products is paramount.

Furthermore, we invest and work with other organisations and institutions to increase the range of materials with better environmental performance, which make more efficient use of natural resources and contain recycled materials.

These principles and guidelines are set out in key Company documents, such as our Sustainability Policy, our Sustainability Roadmap and our Biodiversity Strategy – based on the principles of the United Nations Convention on Biological Diversity. Likewise, our Forest Product Policy stipulates that any timber used to produce furniture, objects or paper products we sell must come from sustainably managed plantations or certified forests.

① More information in section 5.6. *Collaborating to safeguard the planet* of this Report.



Commitments

Our commitment to the protection of ecosystems and the use of more sustainable materials has steadily grown more ambitious in recent years. Thus, at the last Annual General Meeting, held in July 2021, we announced new, even more demanding commitments in this area, highlighting, for example, that by 2023—two years ahead of schedule—**all the cotton used in our products will be organic, recycled of**

from more sustainable sources, and that 50% of our products will be *Join Life* by 2022.

In line with our ambition, and thanks to the efforts of our buying and product teams, this year we have reached the following results in terms of **tonnes of raw materials from more sustainable sources** used in the articles we sell:

Raw material	2021 tonnes	2020 tonnes	2019 tonnes	2018 tonnes
Cotton from more sustainable sources (organic, recycled or other more sustainable sources)	166,195	73,874	38,676	18,851
Polyester from more sustainable sources	26,728	9,594	5,332	1,881
Linen from more sustainable sources	4,201	1,245	1,813	266
Viscose and other man-made cellulosic fibres from more sustainable sources	29,053	8,379	6,692	3,178

By 2023, 100% of the cotton and man-made cellulosic fibres used in our products will come from more sustainable sources, while by 2025 100% of the polyester and linen will come from more sustainable sources.

Thanks to the hard work in this area, in 2021 consumption of raw materials from more sustainable sources represents **42%** of the total consumed, doubling the percentage compared with 2020 (21%).

Innovation

Innovation is key for achieving our sustainability goals. Evidence of this is that Inditex was the only Spanish company to be included in the 2021 ranking of the 50 most innovative companies compiled by Boston Consulting Group (BCG). With regard to materials, our commitment to innovation focuses on fostering permanent **development of new raw materials and technologies that improve their sustainability and subsequent recycling**. In this respect, we collaborate both with renowned academic institutions and with local and international organisations.

Sustainability Innovation Hub

One of the Group's most noteworthy initiatives when it comes to innovation in sustainability is the Sustainability Innovation Hub. We have created this **platform for innovation based on collaborative technology monitoring**, to take an active part in the quest for new materials, technologies and processes that improve the environmental impact of our products and help us to advance towards more sustainable and circular solutions.

The main objective of this platform is to identify and test innovative initiatives to enhance environmental impacts, **for the purpose of scaling them in our supply chain and across the textile industry**.

From the initial *screening* process of startups and subsequent collaboration agreements, various pilot tests are conducted. The materials, technologies and processes that successfully come through this pilot phase will continue to the next stages with the aim of testing their results in the commercial phase and the industry in general. In 2021, we collaborated with more than 145 startups and took part in more than 30 pilot tests to improve produc-

tion processes, aspects of recyclability and recycling, traceability and new materials, among others.

Our impact assessment methodology is based on the analysis of quantitative data obtained through Life Cycle Analysis (LCA), as well as on a qualitative approach that takes into account other aspects such as animal welfare and social issues.

KEY COLLABORATIONS WITHIN THE SUSTAINABILITY INNOVATION HUB

1. Collaboration with the Plug and Play Center tech accelerator to identify the startups best suited to our goals and the programme's philosophy.
2. Agreement with the Fashion for Good innovation platform whereby we work together with other major players in the fashion sector to promote the acceleration of sustainability projects for our industry and society in general.
3. Collaboration with Quantis to measure the environmental impacts of the projects implemented by the startups we partner with.

LanzaTech x Zara startup

In 2021, we offered our customers a series of highly innovative products thanks to our collaboration with LanzaTech Inc. This startup has developed a new CO₂ capture technology to transform carbon dioxide emissions into ethanol, which can then be used to produce new materials like polyester.

The capture and reuse of carbon dioxide emissions from industrial and agricultural processes and household waste limits the direct release of these emissions into the atmosphere and helps reduce the use of virgin fossil resources. Using technology developed by LanzaTech, fibres maintain properties similar to virgin polyester in terms of, for example, quality, performance and care.



Our brands' circularity projects

ZARA

RECYCLING OF PRE-CONSUMPTION COTTON AND WOOL FROM OUR PRODUCTION

The aim of this circularity project is to integrate in new collections the waste generated in the manufacturing process of previous campaigns. This requires working with the supply chain to develop circuits and materials that can be adapted to the quality and design requirements of the brand. Currently, this waste already transformed into new materials is present in certain Zara collections in percentages that vary between a 15% a 50%. At this moment, all Zara sections participate on it.

PULL&BEAR

CIRCULAR COLLECTIONS

For the second consecutive year, we have launched circular collections in which fibres are sourced from used textile garments (post-consumer) and leftovers from our own production. This is a complex process that requires that the garments used —once any chance of re-using them has been ruled out— are classified individually by composition and colour. Once classified, zips, buttons and any other elements that might hamper their subsequent mechanical recycling are removed. Scraps of used fabric, together with textile production leftovers, are turned back into fibres that are carefully spun into the recycled fabrics from which these collections are made. In addition to being environmentally friendly, these circular collections are notable for their:

- **Local impact:** the classification process takes place in textile waste treatment plants equipped with cutting-edge technology located in Spain.
- **Traceability:** all the information concerning recycled leftovers and garments, as well as the various processes involved, is recorded in a blockchain platform.

STRADIVARIUS

TEXTILE TO TEXTILE MECHANICAL RECYCLING PROJECT – R-Denim

The goal of this project is to market denim trousers produced from other garments—mainly also denim—in various colours and shades. The resulting trousers are made of 25% post-consumer recycled cotton, 65% pre-consumer recycled cotton and 10% recycled polyester. The main advantages of this project are:

- **Positive social impact:** involving local social organisations.
- **Positive local impact:** using a proximity circuit of extraction and manufacturing.
- **Zero Waste:** aligned with our zero landfill waste programme.
- **Efficiency:** the washing process involves less water consumption.

TEMPE⁵⁷

CIRCULAR INDUSTRY CV

Aimed at repurposing multi-composition waste (made up of different raw materials), this project seeks ways of reintroducing waste from the footwear sector into other areas of the sector and other value chains, as well as incorporating waste from other areas into the footwear sector. Tempe's involvement in the project consists of assigning various kinds of footwear so that research can be conducted on its recycling at the end of its useful life.

57. 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 retail concepts.

ZARA HOME

RECYCLING OUR OWN COTTON WASTE

Also in line with our Zero Waste programme, we have launched in the market a series of towels made from mechanically recycled cotton threads from leftovers of our production. These leftovers are shredded and prepared through a complex recycling process to turn them back into a fibre with the right texture, resilience and feel, which is then blended with 50% virgin fibre to obtain a new cotton yarn with which to weave the new towels.

Obtaining quality thread from recycled fibre can be highly complex. However, thanks to a joint effort with highly experienced recyclers and spinners, we have been able to increase the recycled content from the initial 15% to the current 50%. This project continues, with new models and designs in the pipeline.

GREENSHOES4ALL

We continue to work on this European project that aims to implement, demonstrate and disseminate a methodology to measure the environmental footprint of footwear and to promote the development of efficient eco-design, recycling and manufacturing solutions that help to improve it. Tempe contributes to this initiative by providing data on our footwear models —composition, size and type— with 21 product inventories having so far been completed including the type and quantity of raw materials used, waste generated, energy consumed in the manufacturing, distribution and sale of products, etc.



5.4.2.2.1. More sustainable raw materials

2021 MILESTONE

The consumption of more raw materials from more sustainable sources represents **42%** of the total consumption in 2021.

Organic cotton

Organic cotton is cotton that has not been genetically modified and where only natural fertilisers and pesticides have been used during cultivation. As indicated by Textile Exchange, this cotton needs less water than conventional cotton. It also enhances soil quality with more nutrients that retain moisture requiring less watering, promotes biodiversity and seed diversity, as well as exclusive use of natural fertilisers and pesticides, resulting in better conditions for farmers and their families.

a) Natural fibres

Cotton

We are committed to achieving a 100% of the cotton used in our products to be organic, recycled or from more sustainable sources (BC or in conversion cotton, among others) by 2023, two years ahead of our previous target, and the target set through the 2025 Sustainable Cotton Challenge initiative of the non-profit organisation Textile Exchange, a benchmark in the sector, of which we are a member. In 2021, we made significant strides on this front, and 65% of the cotton used by the Group is from more sustainable sources.

Organic cotton production currently accounts for less than 1% of global cotton production. In accordance with our goal of increasing the use and availability of organic cotton, we are one of the founding partners of the Organic Cotton Accelerator (OCA) initiative, which aims to support organic cotton producers to grow the sector in a sustainable way and to benefit all stakeholders, from the farmer to the end consumer and society as a whole. We have ramped up our own sourcing of the OCA cotton by 200% compared to previous year.

COLLABORATION WITH ORGANIC COTTON ACCELERATOR (OCA)

We are a founding partner of OCA, a multi-sector initiative that supports cotton farmers to ensure sustainable development of the sector, where both the farmer and the consumer benefit.

How the Organic Cotton Accelerator works

COLLABORATION

Transparency regarding the source of the cotton enables us to improve farmers' way of life, while at the same time managing the integrity of organic cotton.



SUPPLIERS AND PRODUCERS

Farmers are at the centre of the programme, working directly with a field specialist who **regularly visits** farmers throughout the process, to help them with **training and follow-up**, from growing to selling the cotton.

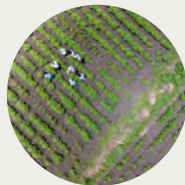


+9,300 farmers participate in our programme with OCA

Social and environmental benefits



Increased organic matter in the soil, due to organic pesticides and fertilisers, as well as crop rotation.



Improved water quality, with cleaner aquifers for farmers and their communities.



Improvement of animal welfare and highlighting the relevance of livestock as a generator of inputs necessary for organic crops.



Greater economic stability and equity for farmers and their families.

Photos: OCA

Inditex strongly backs in-conversion cotton as a tool to foster the cultivation of organic cotton.

In-conversion cotton

For farmers, transitioning from growing conventional cotton to organic cotton is a process that may be complex, and many therefore hesitate to make the leap. To help foster this process of transition to organic cotton, the Group supports so-called in-conversion cotton, which is cotton grown using 100% organic practices in fields where the required time has not yet elapsed to eliminate from the soil all traces of the synthetic chemicals that might have been used.

BC cotton

Inditex also cooperates with Better Cotton (BC), whose mission is to help cotton communities thrive, while helping to protect the environment by implementing practices that lower the environmental impact compared with conventional growing practices. BC seeks to foster a holistic approach to sustainability, the aim being to promote a more environmentally-friendly cotton supply chain. It is also a standard that can be quickly adopted by conventional farmers, enabling the transition to lower-impact cotton production models.

Inditex takes part in this organisation’s Retailer and Brand Traceability Panel working group, set up to implement systems that allow chronological documentation and trace evidence to track the movement of products through the supply chain.

b) More sustainable man-made fibres

Protecting forests is key to fight climate change and to prevent the loss of biodiversity. Always at the forefront of best practice in the textile industry, at Inditex we are committed to ensuring that the cellulosic fibres we use to create our fabrics—lyocell, viscose and modal—come from sources that do not pose a risk to the planet’s primary and endangered forests.

In this regard, the Group only uses suppliers of cellulosic fibres designated as ‘green shirts’ in the Hot Button Report by Canopy, an international organisation with which we have been cooperating since 2014 whose mission is to protect primary forests. For a manufacturer to earn ‘green shirt’ designation, it must prove that its fibres do not pose a supply risk to primary or endangered forests.

Moreover, **100% of the man-made cellulosic fibres we use by 2023 will be from more sustainable sources**, supporting the responsible viscose commitment by the Changing Markets organisation in its Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing, which is currently activated and underway at all of our suppliers.

c) Recycled materials

Using recycled materials enables us to improve certain of our products’ impacts by, for example, reducing the consumption of natural resources required to manufacture and/or treat them, and by fostering the use of the waste generated. For example, via the Sustainability Innovation Hub, we are researching alternative, innovative and sustainable materials based on second- and third-generation waste that enables us to fulfil the specific technical and durability requirements of certain products.



100%

MAN-MADE CELLULOSIC FIBRES FROM MORE SUSTAINABLE SOURCES

100% of the man-made cellulosic fibres we use by 2023 will be from more sustainable sources

Regarding recycled polyester, Inditex aims to achieve its supply in a timely and cost-effective manner in line with our goal of using 100% polyester from more sustainable sources by 2025. We have also signed up to the 2025 Recycled Polyester Challenge, a joint initiative of the Textile Exchange and the UN Fashion Industry Charter for Climate Action, which aims to accelerate the use of recycled polyester to help reduce the sector’s greenhouse gas emissions.

Thanks to our efforts this year, we have managed to place a total of 41,317 tonnes of recycled materials on the market, 187% more than in 2020.

ULTRAMID® CCYLED™ BY BASF

100% Recycled polyamide made from tires

BASF and Inditex, under the framework of a pioneering research alliance in the textile industry that began in 2019, are working on industrial-scale research and development of textile recycling solutions with two approaches: textile and non-textile waste. In line with the non-textile waste approach and under specific cooperation agreements with BASF’s Polyamide business unit, work is being done on the commercial development of the first Polyamide 6 and 6.6 (Ultramid® Cycled™) used in the textile industry. The technology partners use exclusively end of life tires as feedstock at the beginning of the chemical recycling process transforming it into a raw material that can be used instead of fossil raw materials at the beginning of the value chain. The share of recycled material is third-party audited. Its commercial launch is scheduled for Zara and Oysho in the first half of 2022.

Jointly, Inditex and BASF work for further circularity solutions for textiles on industrial scale.

5.4.2.2.2. Consumption of raw materials

In 2021, we used a variety of different raw materials. For information purposes, all these raw materials have been grouped, according to their origin, into two main categories: **fibres and non-fibres**.

Raw materials	2021	2020	2019	2018
Fibres	88%	88%	89%	88%
Non-fibres	12%	12%	11%	12%

Furthermore, the fibres category has in turn been divided into three groups: **natural fibres**⁵⁸, **synthetic fibres**⁵⁹ and lastly, **man-made fibres**⁶⁰, the weight of which in terms of consumption was as follows in 2021:

% of total fibre consumption				
Fibres	2021	2020	2019	2018
Natural	55%	52%	50%	49%
Synthetic	36%	38%	38%	39%
Man-made	9%	10%	12%	12%
Total	100%	100%	100%	100%

The “non-fibres” category includes many different raw materials from natural (vegetable, animal and mineral) and man-made sources, with limited relative importance in the Group’s overall consumption, thus, there is no individual breakdown.



58. Natural fibres are filaments that can be threaded to obtain strands, threads or twine.

59. 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.

60. 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.

5.4.2.3. Raw material control

At Inditex we have **strict health and safety standards**, such as *Clear to Wear* (CtW) and *Safe to Wear* (StW), which must be met by all the raw materials we select from the supply stage (this applies to fabrics, leathers, piping and appliqués, among others).

To ensure the thorough inspection of the product and prevent potential non-conformities with our product health and safety standards, we supplement the control of our *Picking Programme* with a network of internal control laboratories that perform testing according to the most stringent international standards. We have an internal analytical structure with six laboratories and the necessary technology to analyse 18 substances and parameters regulated under the *Clear to Wear*, *Physical Testing Requirements* and *Safe to Wear* standards. At these facilities we also oversee the conformity of fabrics with the health, safety, and quality parameters of our standards.

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

The List

In 2013, *The List*, by Inditex was launched with the aim of partnering with the chemical industry to **improve the quality of the chemicals used** to manufacture articles and to enhance the health and safety control policies applied to our suppliers and manufacturers. Through an exhaustive evaluation of the manufacturers and their chemical products, *The List*, by Inditex classifies the latter according to the degree of compliance with the *Clear to Wear* standard and the *Zero Discharge of Hazardous Chemicals* (ZDHC) commitment, ensuring compliance with the chemical restrictions of both standards.

The use of the products with best classification in *The List*, by Inditex guarantees compliance with our requirements, which go beyond the ones of the Manufacturing Restricted Substance List (MRSL) and the conventional Restricted Substances List (RSL).



The huge potential of this programme is reflected in the high level of support it has received from chemical manufacturers linked to the textile and leather industry.

As part of our continuous improvement process, in 2021 we have continued to extend the case studies (to ascertain the relationship between the content of the restricted substance in a chemical product and the content after its industrial application) of the substances included in *The List, by Inditex*.

At the same time, we have continued to work with ZDHC to complete the integration of *The List* into their platform and to develop and enhance new standards of chemical certification.

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

5.4.3. Join Life programme

GRI 103-2 AND 417-1

2021 MILESTONE

In 2021, **47%** of our articles placed on the market are Join Life.

At Inditex, we continuously work on our commitment to sustainability to transform the industry by reducing its environmental impact and contributing to the Sustainable Development Goals. Our *Join Life* label identifies the Group's products that use **more sustainable raw materials and more environmentally-friendly production processes**.

For the creation of a *Join Life* article, we use only those suppliers who have obtained the highest scores (A or B) in accordance with the Group's social and environmental standards or, failing that, who demonstrate a firm commitment to improvement by pledging to implement a Corrective Action Plan. Our *Join Life* products are classified into one or more of the following categories in accordance with their environmental benefits: Care for Fiber, Care for Water and/or Care for Planet.

① More information about our assessment processes and Corrective Action Plans in section 5.5.1. *Sustainable management of the supply chain* of this Report.

The *Join Life* label is a fundamental aspect of the programme and enables us to share with our customers detailed information on our products and the environmental excellence properties associated with them. In this connection, in 2021 we updated our *Join Life* labels to offer the best shopping experience and information to customers:



OUR JOIN LIFE LABEL

CARE FOR FIBER

We use the Care for fiber label for garments produced using **raw materials from more sustainable sources**, such as organic cotton or recycled fibres, among others.

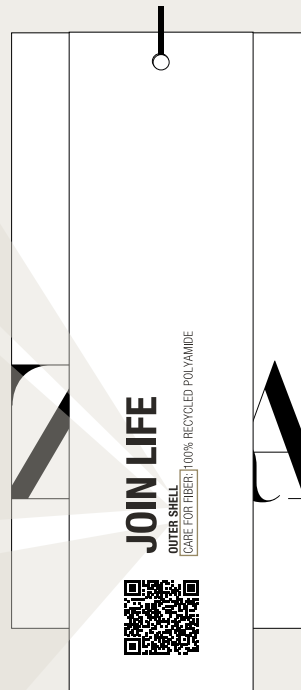
CARE FOR WATER

Garments produced using technologies that **reduce water usage in their production processes**. The garment dyeing and washing processes use the largest amounts of water. The use of closed cycles that allow for water reuse or technologies, such as ozone or cold pad batch help us to preserve freshwater resources.

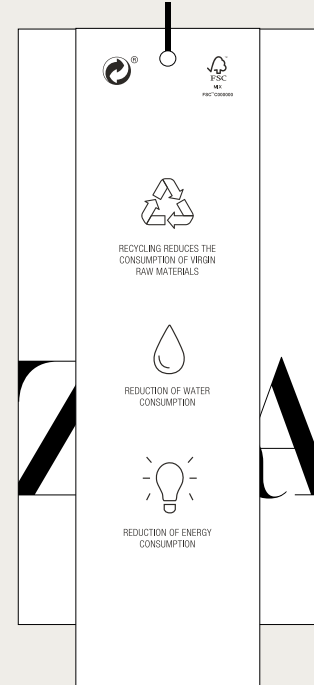
CARE FOR PLANET

Articles produced using processes that help **reduce emissions and/or the use of chemical products** in production processes. The use of technologies such as renewable energy consumption or have been certified by Leather Working Group enable us to carry out washing, dyeing or tanning processes in a more sustainable way.

FRONT



REVERSE



- ✓ The **front** on our **Join Life** label shows the category that the article belongs to (Care for Fiber, Care for Water and/or Care for Planet) and its **main environmental attributes**.
- ✓ Our Join Life labels have a **QR code** that customers can scan to obtain detailed product information.

- ✓ The **reverse side** of our Join Life label features information on **environmental benefits**.
- ✓ The label is made of **100% recycled paper**, or certified by the **Forest Stewardship Council (FSC)**.

Examples of some environmental benefits of our *Join Life* articles:



Reduction of water consumption



Recycling reduces the consumption of virgin raw materials



Reduction of energy consumption



More sustainably managed forests



Produced with ecologically grown methods



Reduction of emissions



Produced using renewable energy



Produced promoting the recycling of our own textile waste



FOR MORE INFORMATION

about Join Life, visit the corporate website.

At the Annual General Meeting held in July 2021, we also announced our ambition to label **50% of the articles we place on the market Join Life by 2022**, a significant increase on our previous pledge (25% *Join Life* products in 2020). This year, 47% of our articles were labelled under our *Join Life* standard.

	2021	2020	2019	2018
<i>Join Life</i> articles placed on the market	47%	38%	19%	9%



JOIN LIFE STANDARD

Suppliers

Suppliers who have obtained the highest scores (A or B) in accordance with the Group's social and environmental standards, or who demonstrate a firm commitment to improvement by implementing a Corrective Action Plan (CAP).

Materials

Materials certified to international standards: OCS or GOTS, RCS or GRS, RWS, RJC, FSC®100%, FSC® Recycled, among others.

Traceability

More sustainable **raw material traceability**.

Packaging

Compliance with Join Life criteria in the primary container (candle glass, glasses case, etc.).

Join Life guideline requirements

TEXTILE AND FOOTWEAR

Care for Fiber

Care for Water

Care for Planet

JEWELLERY, GLASSES AND OBJECTS

Care for Planet

5.4.4. Health and safety of our products

GRI 103-2; 103-3; 416-1; 416-2; 417-1 AND AF5

A relevant and essential aspect for us is to ensure that all the articles we sell are **safe and healthy**. In particular, in the context of health and safety, we have specific product standards that allow us to ensure that all the articles we market are free of health, safety and environment risks. In this regard, we have a team of scientists and technology experts who monitor and review health and safety regulatory developments, identify chemical substances used in the industry and evaluate every process in the manufacture of our products.

We uphold our commitments to the Sustainable Development Goals, also in relation to Good Health and Well-being and Responsible Consumption and Production, with health and safety standards which aim to guarantee the **highest quality and safety of chemical products** used in the supply chain and to foster safer alternatives for human health and the environment.

These standards are of **general mandatory application** to all the articles⁶¹ we manufacture and sell, and serve as a benchmark for the manufacturing practices of all the suppliers across our entire supply chain. We also continuously review their specifications to ensure they comply with new legal requirements, our commitments to sustainability, and to increase their scope by adapting them to new types of articles we market.

To verify compliance with these standards, we work with technology companies, research centres and laboratories of international reference to verify that they are being properly applied by using our own innovative programmes that include:

- The **analysis** of both the finished articles and the chemical products used in their production.

- The carrying out of **audits** both in the factories that manufacture our articles, as well as in the facilities that produce the chemical products which are subsequently used to manufacture them.

The manufacturing process of our articles entails various stages of treatment and transformation of the raw materials in which these are exposed to the application of chemical products such as dyes, pigments and other ancillary products before reaching the finished product stage. Therefore, our requirement extends to the chemical industry, responsible for producing chemical products used in the textile and leather industries within the framework of *The List, by Inditex* programme.

[More information in section 5.4.2.3. Raw material control of this Report.](#)

Based on the premise of striving for excellence in our products, our teams of scientists and experts in technology:

- Monitor **regulatory developments** in connection with health and safety.
- Identify the **chemical substances** used in the industry.
- Carefully examine our **manufacturing processes**.

As a result, we have managed to go beyond conventional Restricted Substances Lists and ensure that our health and safety requirements are the most exacting.

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

DIFFERENCES BETWEEN PRODUCT HEALTH AND PRODUCT SAFETY

Product health

- ✓ Means that the final product does not contain any hazardous substance that might affect customers' health.

Product safety

- ✓ Means that the garment's design and characteristics do not pose risks that could affect customers' physical integrity.

61. Articles that are outside the scope of Inditex's health and safety standards are, nevertheless, subject to minimum requirement reports specifically compiled in accordance with the statutory requirements which apply to the type of products and the markets where they are sold.

PRODUCT HEALTH AND SAFETY CONTROL PROCEDURES

Ongoing improvement

- ✓ Recovery of productions
- ✓ APPLABs
- ✓ Collaborations
- ✓ Internal training
- ✓ R&D

Generating knowledge

- ✓ Analysis optimisation
- ✓ Root Cause Analysis (RCA)



Standards

- ✓ Clear to Wear (CtW)
- ✓ Physical Testing Requirements (PTR)
- ✓ Safe to Wear (StW)
- ✓ I+Cosmetics
- ✓ I+FCM
- ✓ I+Home Fragrances & Candles
- ✓ I+Child Care Furniture

Prevention

- ✓ Good Manufacturing Practices (GMP)
- ✓ Training in the supply chain
- ✓ Green to Wear
- ✓ The List

Control

- ✓ Design
- ✓ Checking the raw material
- ✓ Picking programme
- ✓ Minilabs

of our products, specifies the chemical substances that are subject to specific restrictions or whose use is prohibited.

① More information in section 5.4.2.3. Raw material control of this Report.

Furthermore, all the information generated by our **control programmes** (*Picking, Minilabs*, among others) allows us to identify new substances used in the textile and leather industry, thus enabling us to continuously assess their chemical safety.

Based on the premise of striving for excellence in our products, we develop initiatives that are conducive to **generating knowledge**. We therefore carry out Root Cause Analysis (RCA) when an article fails to comply with any of the requirements laid out in our standards, and we work with researchers specialising in the sector to develop predictive tools to optimise the analysis process.

The knowledge we acquire through these programmes is of vital importance for the Group, since it positions us as standard-bearers, not only for our manufacturers but for the industry as a whole when it comes to ensuring production health and safety. In our view, this is another way to foster the transformation of our industry.

At Inditex we are committed to **continuous improvement** through collaboration initiatives, proprietary programmes (APPLABs), R&D and training.

In this context, after participating actively in the AFIRM group, in 2021 we have endeavoured to align our *Clear to Wear* (CtW) product health standard with the rest of the textile and leather industry. We are convinced that these efforts strengthen the identification and elimination of chemical substances of concern in the supply chain. In this way, we will be able to ensure the same level of requirements and chemical substances management is used in manufacturing at all the facilities in the supply chain regardless of which brand they work for (*Clean Factory Approach*).

5.4.4.1. Our product health and safety standards

At Inditex, in addition to compiling the different requirements within the international framework, we wanted to go a step further by creating lists that provide additional information to the conventional Restricted Substances Lists (RSL). Our own standards are used as reference manuals in the industry, to which we provide addition-

al knowledge that identifies regulated substances and controls manufacturing processes, while at the same time we propose the use of alternative technologies to prevent non-conformities. Thus, we inform our entire supply chain of the health and safety requirements that all our articles must meet from the earliest stages of design before production begins.

At Inditex we have gone one step further by creating advanced standards that convey fundamental knowledge to ensure that the product meets all health and safety requirements.



Clear to Wear (CtW)

Our *Clear to Wear* (CtW) health standard regulates substances and parameters legally restricted for use and restricts the use of some substances not included in current legislation that could potentially be a health hazard. Likewise, it includes the European REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals). Compliance with this EU regulation is mandatory for our suppliers. Accordingly, *Clear to Wear* is **consistent with the most existing product health legislation**. In this regard, we work in partnership with scientific and technological advisers, research centres and academic institutions.

This standard is mandatory for all our apparel, footwear and accessories, including trimmings and fabrics used in their manufacture.

During the process of designing the update of CtW 2021, we evaluated more than 1,800 substances, focusing especially on their consequences for human health and the environment. We also examined their potential use in the various manufacturing stages within the textile and leather industry.

Back in 2020, we already enhanced the CtW format so as to make it easier to understand the requirements

in the supply chain. And in 2021 we have implemented the CtW 2021 update and we have published a version of it in six languages (English, Spanish, French, Turkish, Chinese and Portuguese) to make it easier to understand in the supply chain. In this context, it is worth noting that the physical parameters laid out in editions prior to the 2021 CtW have now been incorporated into a new standard known as Physical Testing Requirements (hereinafter, PTR). Accordingly, the 2021 CtW standard refers solely to chemicals.

Physical Testing Requirements (PTR)

The first edition of PTR, our own physical testing standard, was published in 2021. It was devised as a result of splitting the edition of CtW 2018 so as to compile more independently the **physical-chemical parameters linked to textile quality testing**.

In this respect, the emergence of this quality standard is related to our active involvement in the creation of the European *Product Environmental Footprint* (PEF) methodology, associated with product durability and which includes some of these physical quality parameters.

Safe to Wear (StW)

Our *Safe to Wear* (StW) standard regulates design, the fastening degree of small parts, sharp edges and sharp points in clothing for children, and restricts parameters such as flammability in articles for both children and adults. *Safe to Wear* was drafted in accordance with the most exacting product safety legislation, for which purpose we have worked with international experts in children safety.

This standard is mandatory for all our apparel, footwear and accessories, including trimmings and fabrics used in their manufacture.

Moreover, in 2021 we have published the first edition of our *Safe to Wear* for Children's Footwear safety standard, specifically designed and generally applicable and mandatory for all children's footwear, which further reinforces the requirements for footwear included in the *Safe to Wear* standard.

I+Cosmetics

Our health standard for cosmetic products, I+Cosmetics, regulates parameters and substances whose use is legally restricted, as well as limiting the maximum amount of impurities permitted in the starting materials. Its application is mandatory for our entire range of cosmetic products.

I+Cosmetics has been developed in accordance with the most stringent product health legislation in the cosmetics sector, for which we have worked in collaboration with scientific and technological advisers, research centres and academic institutions.

I+FCM

Our I+FCM standard governs the health and safety of all **products that are in contact with food**. This standard governs the parameters and substances whose use is restricted by law for all types of materials used in articles in contact with food (plastic, crockery, glass, metal, paper or wood, among others). It also restricts the transmission (in ordinary or foreseeable use conditions) of the constituent chemicals of the articles to the food they are in contact with. Its

application is mandatory for our entire range of products in contact with food.

I+FCM has been developed in accordance with the most stringent food health and safety legislation, for which we have worked in collaboration with scientific and technological advisers, research centres and academic institutions.

I+Home Fragrances & Candles

Our product health and safety standard I+Home Fragrances & Candles is mandatory for all our **household fragrances** (including candles and incense, among others). It governs the safety parameters and substances whose use is legally restricted.

As with all our own standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health.

In 2021 we published the second edition of this standard, incorporating the most relevant regulation changes in relation with product health and safety.

I+Child Care Furniture

Our I+Child Care Furniture product health and safety standard is mandatory for all our childcare articles, such as changing tables, high chairs and cribs. It governs the safety parameters and substances whose use is legally restricted.

As with all our own standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to user safety.

5.4.4.2. Prevention

Good Manufacturing Practices (GMP)

Good Manufacturing Practices (GMP) aim to **define and control the activities** to be carried out at each stage of production, to ensure that products are manufactured in compliance with quality standards, as well as with the requirements of our product health and safety standards.



Good Practice Guidance for the prevention of Cr(VI) formation in chrome tanned leather

As part of our continuous support to our supply chain for a proper implementation of the requirements of our Green to Wear programme, it is necessary to develop and make available tools and recommendations.

Among the requirements for facilities carrying out post-tanning processes for chrome tanned leathers, the most common tanning procedure in the textile industry, noteworthy are those related to good manufacturing and parameters control, and the use of additional antioxidant treatments for the prevention of hexavalent chromium or Cr(VI) formation.

In 2021, we have published the GMP guidelines for leather articles at facilities that carry out post-tanning processes of chrome-tanned leathers, in four different versions, according to the type of article being manufactured.

Best practices guidelines for cross-contamination prevention

Over the course of this financial year, we have observed through the various control programmes, such as the *Picking* programme and the subsequent Root Cause Analyses (RCA), incidents in some of Inditex's productions, not due to the intentional use of banned products, but

as a result of cross contamination from previous productions in which products not authorised by Inditex had been used.

As a consequence, we have developed GMP guidelines to inform suppliers about the problem linked to these substances and specific actions to prevent their occurrence.

Training plans for the supply chain

In the Health and Safety area, we are convinced that the training of our supply chain is the vital first step to achieve product conformity and, as a result, to also drive improvements in the industry.

Within the framework of the action plans to support our supply chain suppliers or manufacturers who carry out wet processes involving chemicals (dyes, pigments and ancillary products) and to improve the understanding of the practices required for the proper selection, purchase, handling, storage and use of this type of products, training and advice activities are developed in the main production clusters.

5.4.4.3. Control

Picking programme

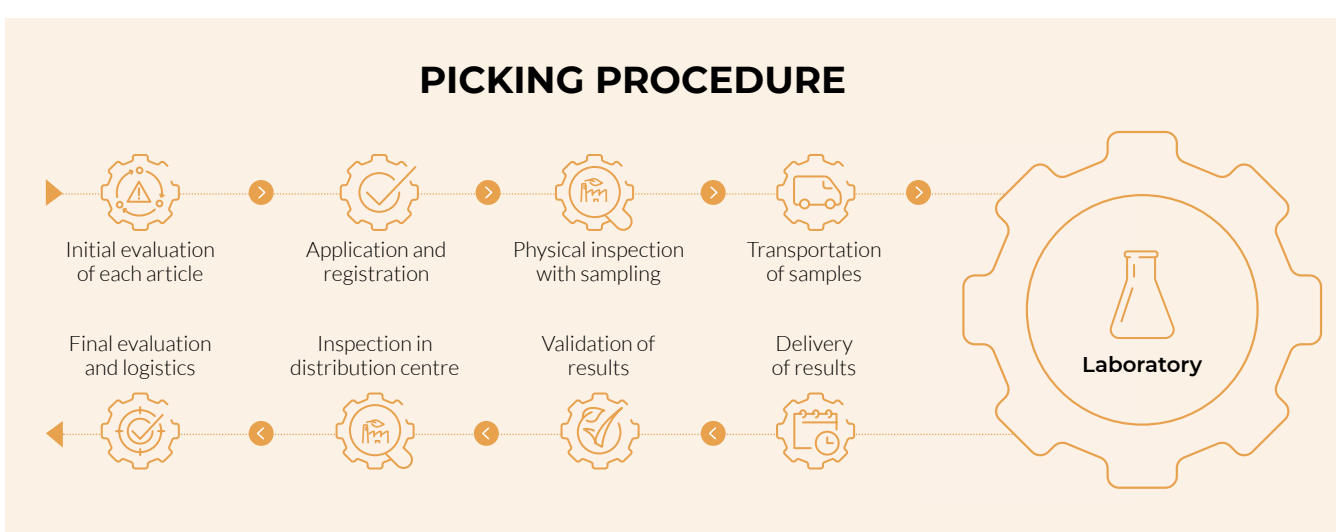
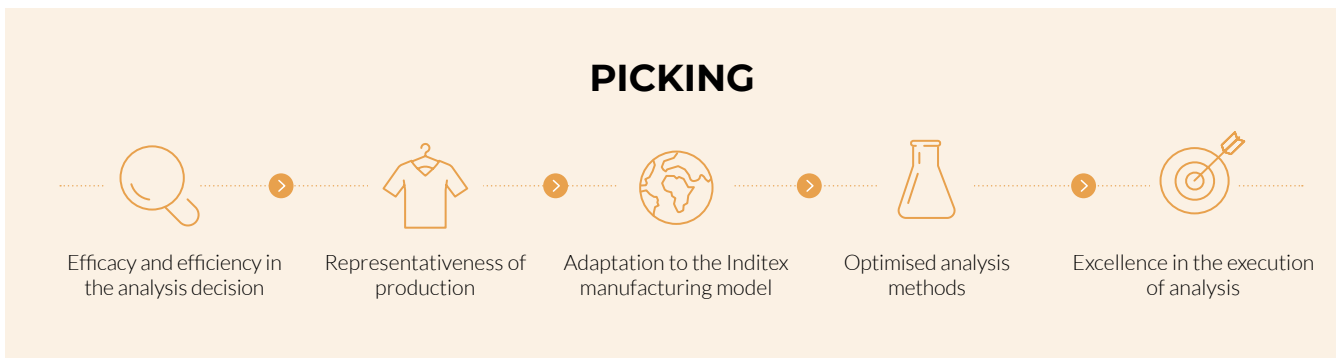
In 2021, **49,999 Picking inspections** have been carried out, with 792,582 analyses and tests performed⁶².

Picking is a control and analysis programme which seeks the effective **identification of non conformities** in articles through the involvement of scientific and technological advisers and the support of benchmark international suppliers of analytical services.

Specifically, the goal of *Picking* is to verify compliance

with our health and safety standards before production is distributed. The process involves an external certifying company collecting samples at factory and/or supplier sites for subsequent analysis, as well as the use of external laboratories with proven competence through our APPLABs programme.

In addition to the verification of Inditex's production, the *Picking* programme allows us to provide the analytical support necessary for the issuance of product certifications for safe import into certain markets.



62. In 2020, 42,856 inspections and 744,404 analyses were carried out; in 2019, 56,352 inspections and 899,046 analyses were carried out; and in 2018, 63,420 inspections and 933,980 analyses were carried out. In 2020, the number of inspections and analyses decreased sharply due to the impact of the pandemic lockdowns in certain manufacturing countries, and this did not respond to a change in the risk assessment strategy.

Minilabs

In 2021, **3,753 Picking inspections** were performed with **Minilabs**, carrying out 33,325 analyses and *screening* tests⁶³.

As a complement to our *Picking* control and analysis programme, we have launched the so-called *Minilabs*. **These portable laboratories are the size of a suitcase** and can carry out up to six *screening* tests for substances and parameters regulated in the *Clear to Wear* and Physical Testing Requirements standard at any one time. The portability and ease of implementation makes this mini-laboratory a highly versatile tool for detecting non-compliance with these standards at any stage of the production process.

Early detection provides us a considerable advantage when it comes to correcting problems, as the article can be reprocessed before it leaves the supplier's premises, thus minimising the impact of transporting potentially non-compliant articles. It is also a basic tool for raising awareness since tests are performed in front of the supplier.

5.4.4.4. Generating knowledge

Analysis optimisation

Within the framework of the *Picking* programme, Inditex teams up with researchers specialised in the textile industry to develop **statistical prediction tools** for manufacturing technologies which carry a greater risk.

In accordance with a continuous updating and improvement process, we can compare conformity with standards in a greater number of references and fewer analyses. All without varying the commitment to and our maximum responsibility for the health and safety of our products.

Root Cause Analysis (RCA)

The Root Cause Analysis (RCA) programme involves different **technical audits** carried out by textile and leather technology experts to identify the source of non-compliance in wet process facilities (dyeing, washing, tannery, printing) and propose a specific corrective action plan to avoid recurrence in future production.

These audits are deployed as soon as we detect a restricted chemical in the *Picking* control programme. The resulting information feeds the rest of the preventive and control programmes to reinforce, on the one hand, the transmission of knowledge to the rest of the supply chain, so as to avoid repetition (thanks to initiatives as *The List*, Green to Wear or Clear to Wear) and, on the other, to reinforce controls by identifying risk components/technologies. In 2021, **17 RCA audits** were conducted.

Evolution of non-conformities detected

	2021	2020	2019	2018
Chemical products classified as "C" in <i>The List</i> , by Inditex or without prior controls applied suited to manufacturing	12%	45%	89%	79%
Cross contamination	23%	11%	11%	13%
Restricted substances in raw materials conditioning	0%	11%	0%	2%
Inadequate manufacturing procedure	6%	0%	0%	0%
Non-conclusive	59%	33%	0%	4%

63. In 2020, 2,671 inspections and 27,431 *screening* analyses were carried out; in 2019, 2,977 inspections and 36,929 *screening* analyses were carried out; and in 2018, 1,276 inspections and 17,212 *screening* analyses were carried out.

Having procedures in place to avoid rejection of non-compliant production by eliminating the problematic substance is a key tool for product sustainability.

5.4.4.5. Continuous improvement

Recovery of productions

We have designed and implemented an advanced and comprehensive product health and safety oversight strategy that includes **preventive programmes and a rigorous production control** of our supply chain. This enables us to guarantee that the final product complies with our standards, but sometimes there may be non-conformities that affect the chemical safety of production. In these cases, we are obliged to investigate, learn and develop methodologies that allow us to reduce the production discarded due to non-conformities with our standards. For this, we work with our scientific and technological partners to recover them by means of eliminating the substances causing the non-conformity, avoiding the rejection of the affected goods. Due to this collaboration, we have implemented production reprocessing protocols for cases in which substances such as arylamines, phenols, formaldehyde, phthalates, and dimethylformamide are present, or parameters such as colour fastness or pH.

APPLABs

To establish whether a production meets our standards, having trust on external testing laboratories

that assess our articles is crucial. Given how stringent our requirements are, it is very important to control the laboratories in our analytical network so that they work in a standardised way, pursuing always the highest precision and accuracy in the final result. Confidence in these laboratories is based on the external laboratory approval programme called APPLABs.

A total of **38 on-site audits were conducted of external laboratories**, in addition to 35 comparison exercises, which involved analysing 6,653 samples.

In 2021, we continued the process of outsourcing laboratory audits. To this end, we designed a specific audit procedure to inspect the most critical in-laboratory processes, and the auditors received training for its correct performance. This led to a significant increase in the number of external laboratories inspected, and with it the inclusion of new laboratories in our trusted analytical network. Similarly, the number of substances and parameters monitored has been increased with correlation exercises. Following the trend of past year.

38

ON-SITE AUDITS

of external laboratories



6,653

SAMPLES ANALYZED



APPLABs



Audits

Conducting on-site **audits** that verify, among other aspects, the **infrastructure, internal procedures and technical competency of the laboratory's personnel and their diligence in the analyses.**



Monitoring

Monitoring results by means of proficiency or correlation exercises **to verify the response and competence in the execution of analyses remotely at any time.**



Technical Committees

Creation of specific **technical committees**, resolution of detected problems, testing methodologies optimization or **development of new analysis** methods among others.

Collaborations

Insofar as we have a global supply chain that is shared with other retailers, it is vital to **align requirements between different industry players** to ensure compliance on health, safety, environmental sustainability and facility upgrades. Our experience from our various programmes has given us valuable knowledge so as to avoid the use of restricted substances throughout the supply chain. We share this experience through our involvement in initiatives such as *Zero Discharge of Hazardous Chemicals* (ZDHC), of which we are Board members, Sustainable Apparel Coalition (SAC) or AFIRM Group. We also collaborate with a number of prestigious technological centres and universities.

Moreover, participating in Greenpeace's *Clean Factory Approach* encourages us to work in a collaborative environment by sharing our experience with the rest of the industry and enhancing our own knowledge through the experience of other retailers.

① More information in section 4.4.2. *Partnerships of this Report*.

Internal training

With regard to raising awareness among our design and buying teams, we have strengthened product health and safety areas across all our brands for the purposes of:

- Providing ongoing training to buying and design teams on all product health and safety related issues.
- Providing 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.

In 2021, **13 training sessions** were provided to 296 attendees from internal design and buying teams and the department of product health and safety itself. This training is conducted in partnership with academic institutions and scientific and technological experts.

R&D

R&D is one of the cornerstones of continuous improvement for safer and more sustainable products. The scope of our **R&D activities** ranges from the creation of new advanced analytical methods to the design of technical solutions required by other areas of the Company:



Development of an analytical methodology for the detection and quantification of phenolic-lipid antioxidants in leather

The use of phenolic-lipid antioxidants in leather is one of the most successful strategies to ensure a Cr(VI)-free material. Having a method of analysis in place makes it possible to monitor that the implementation process is carried out properly, as well as to detect when it is not.

Improved method of analysis of organochlorinated compounds in chemicals and textiles

The official international method of analysis produces false positives for organochlorinated compounds in certain specific matrices. Developing a new method will mean being able to measure organochlorinated compounds without incurring false positives.

Development of a test (Propensity Test) to determine whether a fatliquor agent presents risks related to the generation of hexavalent chromium

Using fat liquors that are not protected against auto-oxidation is one of the most common causes of Cr(VI) formation in leather. This test will allow tanneries to check whether a fat liquor is properly protected before using it in leather production.

Fine-tuning solid-state dye doping technique for correlation studies

Correlation studies are essential to define the risks of chemicals. Using the doping technique, correlation studies can be carried out for all kinds of restricted substances, even those where it is difficult to find commercial chemicals that contain them in the concentrations of interest.



5.4.5. Use and end-of-life of products

GRI 103-2; 103-3; 306-1; 301-1; 301-2; 301-3; AF18; AF19 AND AF20

To ensure our products generate the least possible impact from start to finish, at Inditex we also implement a number of projects in connection with the use and end-of-life phase. Consistent with our **unwavering commitment to circularity and the optimisation of natural resources**, we highlight, for example, our innovation initiatives to reduce the release of microfibres; the *Closing the Loop* programme for the collection of used consumer garments with the aim of giving them a second life; or the *Green to Pack* programme, aimed at optimising the use of *packaging*, while facilitating their recycling and improving their transport.

5.4.5.1. Minimising the impact in the use of products

Our aim is to increase the useful life and reduce the impact in the use of our products. To achieve this, we carry out a number of projects to **improve their functionality, usability and re-usability**, in line with our circularity strategy.

Using resistant materials, with better dyes and finishes that seek to ensure physical durability, increasing the versatility and functionality of the products, or increasing the emotional bond with garments through customisation, among many others, are just some ways to reduce the impact in product use and extend product life.

Projects related to reducing environmental impact in the use of products

- Optimising systems and partnerships with third parties within the *Closing the Loop* programme for collection of used garments.
- Research to identify materials that require less maintenance.
- Training for buying teams, focusing on more sustainable raw materials and wet processes, to foster a more sustainable product.
- Research to promote maintenance with a lower impact.
- Research to measure and reduce the release of microfibres when washing the garment.
- Research to increase the usability of garments.

Microfibres

At Inditex, acknowledging textile fragmentation as a priority area for research into the issue of microfibres, we have developed a specific multidisciplinary research programme aimed at broadening knowledge and developing and implementing sustainable

We are a member of the Microfiber Consortium, a global initiative which focuses on developing practical solutions regarding microfibres for the textile industry.

and impactful solutions to the challenge that microfibre shedding represents for the environment and health. In this regard, in 2021 we intensified our work with internationally renowned universities and research centres in three areas of action (eco-design, processes and end use), while joining forces with leading industry players through industrial partnerships and international consortiums.

Eco-design

In eco-design, our focus is on researching and promoting design and manufacturing options that reduce microfibre shedding, as well as training our teams in sustainable design.

In 2021, we prioritised work to produce fibres from recycled waste such as tyres and plastic *packaging* and the replacement of synthetic fibres in textile fabric structures with higher microfibre shedding rates.

Processes

We endeavour to identify all those manufacturing processes that lead to the highest microfibre shedding rates in order to implement specific measures.

In this line:

- As part of our Green to Wear standard, it is a mandatory requirement for all wet processing facilities in our supply chain to manage filtered textile waste as solid waste.
- We work with the leading filter manufacturers across all industries to promote the adoption of technologies that reduce microfibre shedding in the textile industry. In particular, our innovation targets filtering systems for dry cleaners, laundries and wastewater treatment plants and we have developed—together with Chemipol—a technological solution that is currently being tested in industrial pilot programmes.

As a consequence of the first domestic wash having been identified as the main source of microfibres, we are working with prominent industrial machinery manufacturers to find a technological solution that, through its application in pre-market manufacturing stages and as a sustainable alternative to the pre-market industrial wash approach, eliminates shedding in the first domestic wash in a sustainable way. In 2021, we successfully completed the proof-of-concept development of a pilot plant-scale industrial microfibre removal technology, the design and industrial implementation of which is expected in 2022.

In addition, we work with leading companies in the chemical industry to develop preparation and finishing chemicals that minimise garment hairiness and pilling, a prelude to microfibre shedding.

End use

We collaborate with a leader in the chemical industry BASF on a ground-breaking industrial research into the development and industrial-scale manufacture of **sustainable solutions for home laundry to minimize microfiber shedding**, while also notably reducing greenhouse gas. The aim is to make it usable on all types of fabrics, reducing the shedding of microfibers. It also seeks to improve the sustainability of the washing process thanks to the reduction of greenhouse gas emissions.

Parallel to this promising development and with the ambition to completely eliminate microfibre shedding, we are closely monitoring the development of filters for domestic washing machines created by technology suppliers and manufacturers. In this regard, we are also supporting and funding a research programme with the Polytechnic University of Catalonia (Spain).

5.4.5.2. Minimising impact in end-of-life

To reuse and recycle textile product components, it is essential to reduce the complexity of materials, design for ease of disassembly and raise consumer awareness regarding the best practices available to them.

At Inditex, we undertake **a number of projects** related to reducing the environmental impact at the end-of-life stage of our products. Some of the most outstanding ones are presented below.

① More information on other programmes in section 5.6. *Collaborating to safeguard the planet of this Report.*

5.4.5.2.1. Closing the Loop

At Inditex we have designed a voluntary programme for the collection of products at the end of their useful life, which we call *Closing the Loop*. Through this programme, we want to offer our customers and employees the best channel to **close the loop of textile products, footwear and accessories**, so that they do not end up in a landfill and can be reused or recycled in the best possible way.

which either give them to people in need or repair them, give them a second life and sell them to finance their social projects. The goal is to reinvest profits from this programme in the market where the garments were collected. After years of hard work, all of our stores⁶⁴ now have collection containers for used garments.

In addition, *Closing the Loop* offers both Inditex customers and our employees additional collection points. In Spain, we work with the social organisation *Cáritas*, to enable the collection of garments by means of containers located in the streets of a number of cities, 100% funded by Inditex. For our employees, collection points are also available at our logistics centres, headquarters and our own factories.

Finally, we are also working to make it possible for customers to request a pick-up when ordering online. This service is available in Spain, in several Chinese cities, Paris, London and New York.

If it is not possible to return them to the market, the collected or donated articles are recycled, so that their useful life is extended for the production of secondary raw materials which then re-enter the production process, thus reducing the need for virgin raw materials and decreasing waste generation.

This last step involves business organisations and universities working on the research and development of more sustainable raw materials and technologies.

The programme in figures:

- Since 2015, **over 78,500 tonnes** of garments, footwear and accessories have been donated.
- In 2020: we achieved our target of rolling out this programme **in all markets and all stores** where we operate.
- In 2021: efforts focused primarily on **consolidating the programme** and strengthening the training of all store personnel.
- In 2022: the activity will focus on fostering the **participation of our customers and employees**, and on financing new fibres and recycling technologies.

The *Closing the Loop* programme aims to extend the useful life of textile products through their reuse, giving them a second life if possible, or recycling them when they can no longer be reused.

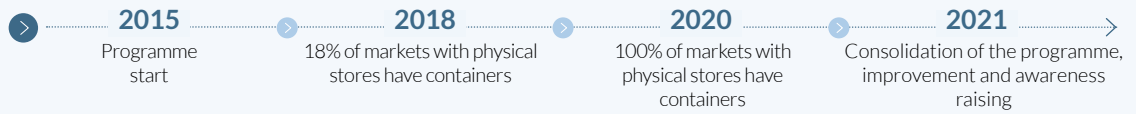
Under the umbrella of the programme, Inditex works with non-profit organisations and specialist third parties in each market where we have a commercial presence. **The garments collected are donated in their entirety** to these organisations,

64. This does not include stores in markets where the initiative can not be implemented due to local legislation or contexts.

CLOSING THE LOOP

In addition to extending the useful life of garments, we generate a positive impact on communities by collaborating with local organisations.

Our story



How can I donate clothing, footwear and accessories I no longer use?

IN PHYSICAL STORES
using the available containers

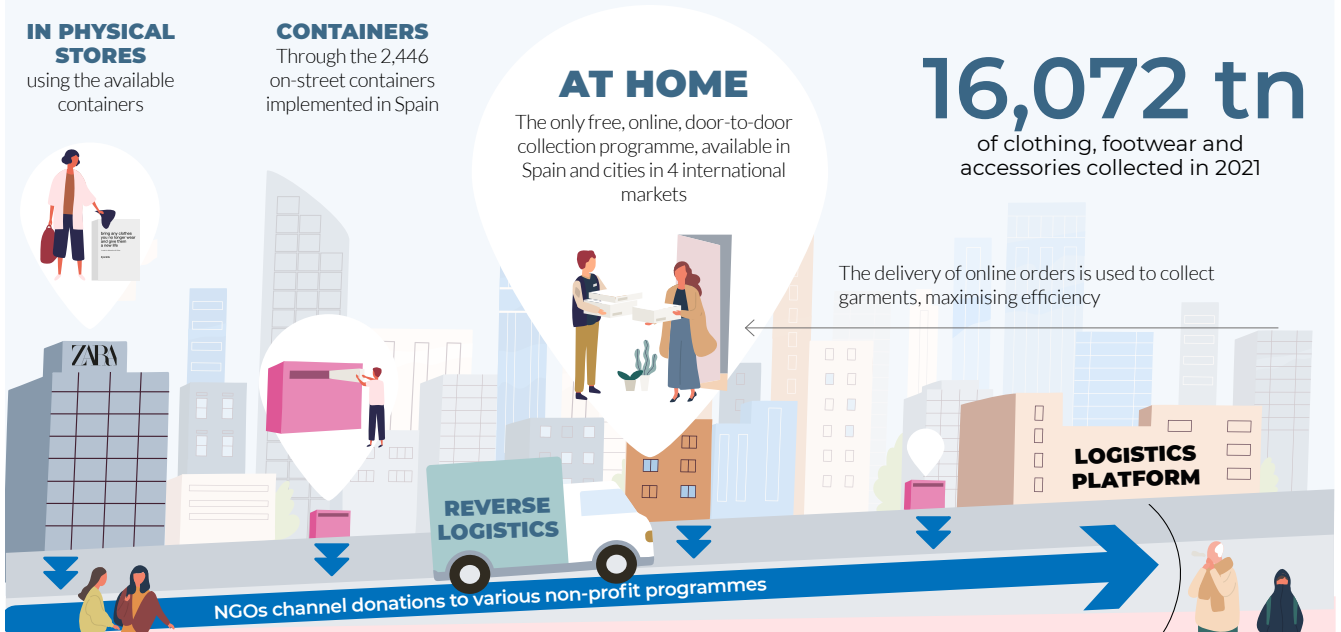
CONTAINERS
Through the 2,446 on-street containers implemented in Spain

AT HOME

The only free, online, door-to-door collection programme, available in Spain and cities in 4 international markets

16,072 tn

of clothing, footwear and accessories collected in 2021



Where do the garments I donate go?

Sold through solidarity channels of non-profit organisations to finance their social projects.

Recycled into new textile fibres and raw materials for other industries.

Reused and transformed into other textile by-products.

Donated to people in need.



What is achieved using my donations?



SOCIAL IMPACT

- Direct social help
- Employment of persons in social exclusion
- Reinvestment in social projects

5.4.5.2.2. Packaging. Green to Pack

The **quality standards of our packaging** are provided in our *Green to Pack* programme, which aims to introduce as many recycled materials as possible into *packaging*, extend its useful life and facilitate its subsequent recycling, while at the same time optimising the transport of our products.

We are constantly endeavouring to optimise the use of natural resources and foster care for ecosystems and biodiversity throughout our business model. Consistent with our long-term sustainability strategy, and convinced that we all have a pivotal role to play, we offer our customers re-usable bags. In 2020 we eliminated the plastic from the bags and *packaging* that we deliver to our customers in our stores and

online orders and this 2021, with the aim of reducing its consumption, we began to charge for them in some markets. We allocate an amount equivalent to that collected to environmental initiatives of organizations with which we collaborate.

Furthermore, we continue to work with our buying and product teams to meet our 2023 target for the products we sell to contain no *packaging* elements that are considered single-use plastics.

In this respect, and with the aim of promoting best practices in terms of *packaging*, in 2021 we commenced a periodic review of all the *packaging* elements that we use in shipping and distribution operations, or that accompany our products, and of which are the most sustainable alternatives.

In another step to further our ambition in this regard, we undertook with the Ellen MacArthur Foundation (EMF) **to reduce a 50% the use of virgin plastics in our packaging by 2025** compared to 2019. This goal underpins the reuse, disposal and recycling efforts being undertaken across the Company's multiple teams.

Our goal is to ensure that **100% of packaging is re-used or recycled in the supply chain**. On that basis, in 2021 we signed the manifesto titled *The Business Call for a UN Treaty on Plastic Pollution* in order to call on governments to negotiate a global treaty to end plastic pollution. This being an issue that affects so many sectors, societies and ecosystems, an international agreement is needed that presents clear goals, binding targets and consistent measurement mechanisms to drive the transition to a circular economy for plastics globally and at scale.

We also signed a second manifesto with the EMF that goes even further than previously: *The Advanced Corporate Statement*. As signatories, we call on governments to ensure that the new plastics treaty includes measures and instruments that address the entire life cycle of plastics, beyond the challenges associated with managing plastics as waste. Through a circular economy of plastics, we will contribute to efforts to stop climate change and prevent the loss of biodiversity, while generating positive social and economic impacts.



FEATURED INITIATIVES



Cardboard boxes

The first step is to continue to enhance the quality of the cardboard boxes that transport our garments from suppliers, prioritising the use of recycled materials and extending their useful life. Our boxes currently contain 75% recycled cardboard sourced from the market and can be used up to five times before being sent for recycling.

The cardboard obtained from the recycling of Green to Pack boxes is used to manufacture boxes for Zara's online deliveries, in addition to other uses.

All the Group's brands are part of the Green to Pack programme, which is being joined by increasingly more markets. The programme is currently operating in Albania, Bulgaria, Bangladesh, Cambodia, Mainland China, Egypt, India, Morocco, Myanmar, Pakistan, Portugal, Serbia, Tunisia, Turkey and Vietnam. More than 21.8 million certified boxes were acquired in 2021.

Plastic

In addition to our individual efforts to eliminate single-use plastics in our operations, we work closely with other organisations and institutions to accelerate the transformation of the entire industry in this area.

In 2021:

- We started an R&D+i project with 15 fashion companies to find more sustainable solutions for logistics packaging.
- We took part in the Ellen MacArthur Foundation's The New Plastics Economy initiative, ramping up the ambition of our Global Commitment by 2025 to eliminate unnecessary packaging and encourage reuse and recycling models.
- We also joined in The Fashion Pact's Oceans Pillar initiative (goals for 2025 and 2030).

5.5.

Collaborating so our suppliers grow

Related material topics: Stakeholder engagement; Value chain transparency and traceability; Responsible purchasing practices; Innovation; Diversity, equality and inclusion; Human rights; Socially-sustainable production environments; Environmental footprint minimisation.



Sustainability in the supply chain requires responsible management that entails studying the challenges and circumstances in each market where we operate and engaging all our suppliers and manufacturers. By means of a relationship based on dialogue and respect for human rights, we ensure the sustainability of the supply chain by going one step further, allowing our suppliers to grow with us. This growth in turn has positive ripple effects on the markets in which our suppliers operate. Thus, the transformation we foster extends beyond the bounds of our industry.

5.5.1. Sustainable management of the supply chain

GRI 102-9; 102-10; 102-13; 102-48; 103-2; 103-3; 413-2; 308-1; 414-1; 414-2; AF3; AF5; AF6; AF17; AF7; AF8; 407-1; 408-1; 409-1; 412-1; AF9; AF10; AF11; AF12; AF13; AF14; AF15; AF16; AF18; AF20; 305-6 AND 303-2

At Inditex we are committed to fight against climate change, protecting the environment and respecting and promoting human rights. Our goal is not only to adapt our fashion range to our customers' needs, but to do so in a **sustainable manner. Having a sustainable, highly specialised, agile and flexible supply chain** is key to achieving this.

This ambitious goal necessitates a responsible management of our supply chain –including each and every supplier and manufacturer– applying



strict policies and procedures to tackle geopolitical, demographic, socio-economic and environmental challenges in all the supply chain countries.

One hallmark of our supply chain is that a large number of the factories where our articles are produced are located in markets close to our Arteixo headquarters (such as Spain, Portugal, Morocco, Turkey). More specifically, **50%⁶⁵ of factories** involved in end product processes are located in these nearby markets.

In 2021, our supply chain comprised 1,790 direct suppliers⁶⁶ located in 44 markets which, at the same time, used 8,756 factories⁶⁷ for their pro-

ductions, **providing employment to more than three million people** (1,805 suppliers, 50 markets and 8,543 factories in 2020 and 1,985 suppliers, 51 markets and 8,155 factories in 2019)⁶⁸.

The increase in the number of factories compared to 2020 is directly linked to Inditex's efforts to reinforce the traceability of processes related to the transformation of raw materials. Thus, we have gradually incorporated the centres for processes such as spinning or weaving, for example, which we have afforded special consideration in recent years and which provide us with an increasingly accurate picture of the various stages of textile production.

65. It includes cutting, sewing, dyeing and washing, printing and finishes factories.

66. Suppliers of fashion articles with a production of over 20,000 units/year in the 2021 spring/summer and autumn/winter campaigns. Suppliers with lower productions account for 0.25% of total production.

67. Factories declared by the suppliers in the manufacturer's management system for 2021 orders.

68. The data published in 2018 are not comparable with those in 2021, 2020 and 2019 due to the extended scope in the report on the number of suppliers and manufacturers made in 2019.

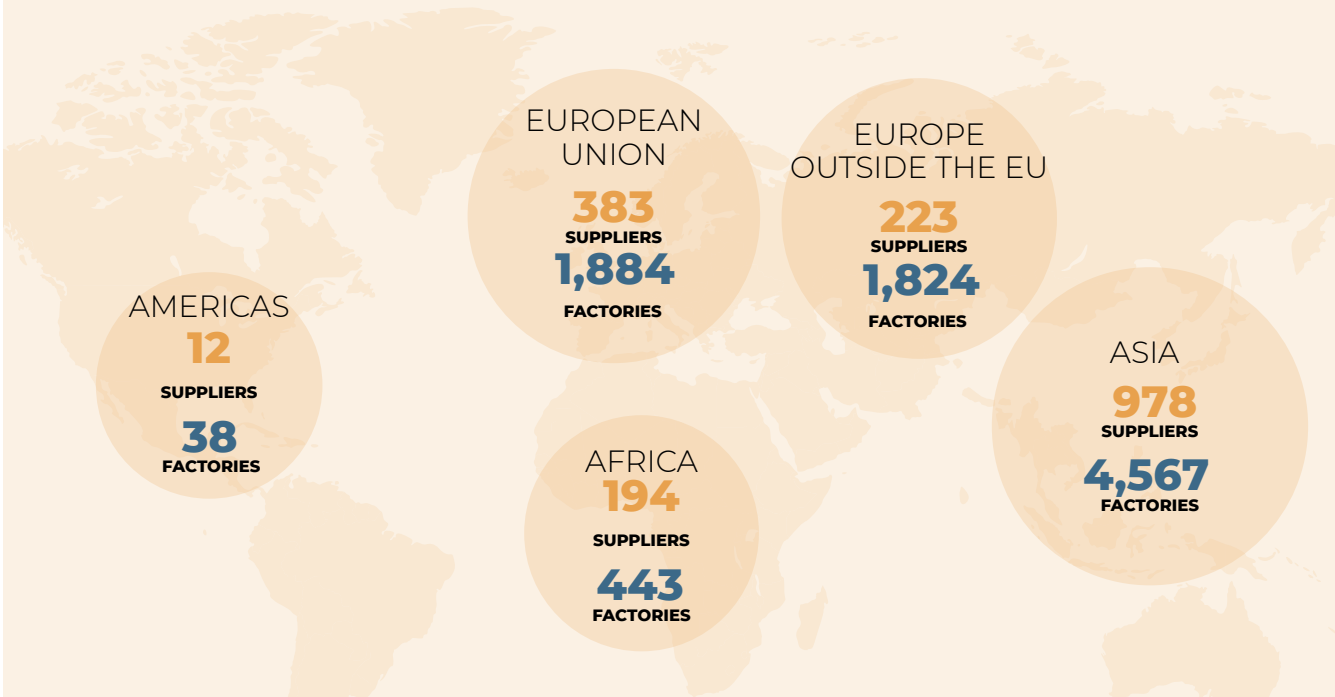
INDITEX SUPPLY CHAIN IN 2021



1,790
SUPPLIERS WITH
PURCHASE IN 2021



8,756
FACTORIES DECLARED
BY SUPPLIERS IN 2021



	Suppliers with purchase in 2020	Unused suppliers in 2021	New suppliers in 2021	Suppliers with purchase in 2021
Africa	156	16	54	194
Americas	9	4	7	12
Asia	991	177	164	978
Europe outside the EU	242	56	37	223
European Union	407	79	55	383
Total	1,805	332	317	1,790

Our sustainable supply chain management model rests on three pillars:

- Ensuring the traceability and thorough knowledge of our suppliers and manufacturers.
- Applying solid social and environmental sustainability standards and requirements to our suppliers and manufacturers:
 - **Social sustainability:** we ensure decent working conditions, consistent with respect for the human and labour rights of the workers in the supply chain, as provided in our Code of Conduct for Manufacturers and Suppliers.
 - **Environmental sustainability:** we implement initiatives in connection with sustainable production, responsible water management, the use of renewable energy sources and the reduction of CO₂ emissions, notably including the application programme of our Green to Wear standard. Through this, we also reinforce compliance with our product health and safety standards.
 - This commitment to sustainability is also evidenced through our policies for fostering **responsible purchasing practices**.
- Verifying application of our standards and continuously improving our supply chain.

Our principles and requirements are binding upon all our suppliers and manufacturers, irrespective of the process they perform or the tier they belong to in the supply chain, including those tiers and processes furthest from the end product (such as those linked to producing raw materials).

To achieve this goal, in 2021 we have continued to collaborate with our suppliers and to support them constantly to improve their own supply chains, providing them with adequate training, helping them to implement our standards and requirements and always developing areas for improvement, among other support and backing actions.

Sustainable supply chain management and continuous support to suppliers would be impossible without the work in our **supplier clusters**, which concentrate 97% of production, as they function as spaces for cooperation and dialogue to create a suitable

framework in which to develop a sustainable production environment in each region, always respecting human rights and the environment. In 2021, we continued to have 12 such clusters: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Argentina and Brazil.

TRANSPARENCY AND ACCOUNTABILITY

Transparency is one of the pillars of our sustainability strategy, as provided in our Sustainability Policy. To achieve it, we share comprehensive information regarding our supply chain with stakeholders.

INDUSTRIALL GLOBAL UNION

We share the complete and updated list of our manufacturers and their degree of sustainability compliance with IndustriALL, as part of our Global Framework Agreement. In addition, we provide IndustriALL and its local affiliates with access to all the factories in our supply chain.

[More information in section 4.4.2. Partnerships of this Report.](#)

INTERNATIONAL LABOUR ORGANIZATION (ILO)

In those countries where we take part in the Better Work programme, we provide the ILO with information about our supply chain in order to work together to advise and improve factory conditions.

In the case of cotton, we also have a public-private partnership with the ILO to protect labour rights in this raw material's supply chain.

[More information in section 4.4.2. Partnerships of this Report.](#)

ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC) AND CHINA'S INSTITUTE OF PUBLIC & ENVIRONMENTAL AFFAIRS (IPE)

We share environmental information concerning our supply chain with various bodies. We work with our suppliers to publish the results of wastewater analyses—obtained from the Green to Wear audits—on the ZDHC Gateway platform.

We share information with the IPE and work actively and concertedly to improve the environmental management of the supply chain in China.

[More information in section 4.4.2. Partnerships of this Report.](#)

NGOs

We work with various non-profit organisations such as Greenpeace, Textile Exchange, Clean Clothes Campaign, Fashion Revolution and Baptist World Aid, and provide them with social, economic and environmental information, regularly and on request.

① More information in sections 3.4. Acknowledgements and 4.4.2. Partnerships of this Report.

INVESTORS, STOCK MARKET INDICES

International organisations such as the Dow Jones Sustainability Index, FTSE4Good, Sustainalytics and Corporate Knights have very positively recognised our level of commitment to transparency and accountability.

① More information in section 5.3. Collaborating with our shareholders, allies in transformation of this Report.

CUSTOMERS

There is information available to our customers on the sustainability parameters of our products, in particular through the Join Life label standard. However, we also respond to specific requests for information on sustainability, such as the origin of our articles or the conditions of the workers involved in their production. In fact, in 2021 more than 10,800 of our customer information requests regarding the sustainability of our articles and our Join Life standard were handled.

① More information in section 5.2. Collaborating with our customers, the force driving transformation of this Report.

INDUSTRY

In line with our commitment to collaborate to help drive industry transformation, we share sustainability information with other companies and industry stakeholders, within the framework of our participation in collaborative initiatives such as ACT (Action, Collaboration, Transformation), among others.

① More information in section 4.4.2. Partnerships of this Report.

5.5.1.1. Traceability of the supply chain

Enforcing and monitoring compliance with our sustainability standards and requirements, in both our products and the facilities where they are manufactured, is made possible by traceability, meaning **the ability to identify and trace the history, application, location and distribution of products, parts and materials**⁶⁹. Inditex manages supply chain traceability through two main lines of action: its traceability management system and traceability assessment.

Our traceability strategy factors in the provisions of Recommendation 46 of the United Nations Economic Commission for Europe (UNECE), issued in July 2021, concerning the implementation of a global approach to traceability that responds to the increasing demand for policies and legislative

TRACEABILITY STRATEGY

TRACEABILITY MANAGEMENT SYSTEM



TRACEABILITY ASSESSMENT

Guaranteeing traceability

This is a key factor in sharing our sustainability culture and ensuring these principles are applied by our suppliers.

TRACEABILITY OF:



Production facilities

More sustainable materials



69. Recommendation No. 46 of the United Nations Economic Commission for Europe: Enhancing traceability and transparency of sustainable value chains in the garment and footwear sector.



action to foster responsible business conduct in global value chains. We have collaborated with the UNECE project to enhance the traceability of the garment textile and footwear sector value chain since its inception, and in 2021 we supported its launch by committing to evolving our traceability management to a new level, a pledge embodied in a call to action sent to UNECE.

The first aspect of this commitment has been to complete in 2021 the actions commenced in previous years aimed at preparing and publishing the *Traceability Requirements for Suppliers*, a document that encompasses the actions that suppliers were in fact already implementing based on our sustainability requirements. Our goal in publishing this document is to

convey to our suppliers, as partners in developing our sustainability strategy, just how important traceability is as a global vision.

5.5.1.1.1. Traceability management system

Inditex's traceability management system is based on:

- Requiring each supplier to know and share with us **all the data of their own supply chain** in the traceability management system. Factories registered in the system must pass the relevant filters to be approved and authorised. The management system itself includes social, environmental and product safety information for each of the facilities.

- Requiring that our suppliers inform us, at all times, of the **factories involved in our production** (from raw materials to finishing processes). For every order received, suppliers must designate the participating factories, detailing units and processes. Each supplier is responsible for the factories they use and must work with Inditex to ensure compliance with our sustainability standards, with any factories that fail to comply being excluded from the manufacture of our products. They must digitalise the information using an in-house developed Traceability Management System, which has evolved to facilitate its use by stakeholders (both internal teams and suppliers), as well as to broaden the scope of the information compiled, with a particular emphasis on raw materials traceability.
- Analyse the traceability management system information to identify the productions to be checked.
- Unannounced visit to the reported factory's facilities to verify the production processes it can perform, as well as production in progress and completed production.
- Compare the findings from the visit with the information entered in the traceability tool, to verify both the processes and the units completed by the factory.

In 2021, we began implementing our new i-Trust management system, which is an enhancement of the previous version. The main goal is to enable suppliers to reflect the reality of their own supply chain in a flexible, usable and simple way. The system's scope will cover all possible variations of the supply chain set-up.

We have also developed a proof-of-concept in connection with a new traceability system based on blockchain methodology: i-Dots. This new system covers a first use case for improving order traceability information in a simplified way.

5.5.1.1.2. Traceability assessment

To confirm *in-situ* that the Group's production takes place in properly declared and authorised factories, the information entered by suppliers in the traceability management system is verified through **traceability audits**, which follow three steps:

To select productions for verification, we perform a risk analysis, based on the information provided by the suppliers in the management system and the data gathered by the clusters. In the event of any indication of the existence of deviations in the traceability of the production, the clusters' traceability teams carry out additional investigations.

In 2021, **6,119 traceability audits** were performed, and 553 traceability breaches were discovered. The traceability team manages these breaches with suppliers and buying teams, analysing their root cause to prevent their repetition. The increase in the number of audits performed shows the importance of supply chain traceability for Inditex. In this regard, in 2021 we increased the human and technological resources devoted to traceability, by designing and piloting i-Trace, our new application for conducting traceability visits. This application provides all the necessary data to perform the traceability checks on our productions. Auditors can easily access and configure the app, and Inditex teams can oversee the process online.

Traceability audits

	2021	2020	2019	2018
Africa	2,128	139	184	554
Americas	181	28	299	561
Asia	2,031	642	484	481
Europe outside the EU	1,111	385	258	733
European Union	668	148	171	217
Total	6,119	1,342	1,396	2,546

Of the 6,119 traceability audits conducted in 2021, 5,804 were conducted by external auditors belonging to independent audit firms.

ASSESSMENT OF THE TRACEABILITY OF MATERIALS

Inditex's traceability strategy includes the definition and implementation of the necessary procedures to enable us to approve the most sustainable materials used in our products, so as to ensure compliance with the standards approved by our Join Life collections. Traceability is also a key in ensuring the circularity of our products.

In line with our aim to cooperate with the rest of the industry players, we are committed to achieving the standardisation and integration of homogeneous data in our sector. Consequently, we support organisations and contribute in projects and committees that work to improve the way in which sustainable fibres are certified.

In 2021 we joined the pilot initiative to be developed by Textile Exchange with the technology supplier Textile Genesis. The aim is to develop a new platform to certify sustainable fibres, using a ground-breaking digital system that enables approval between parties and leverages third-party certification bodies in the transaction verification process. The pilot programme was launched in November and the first phase will focus on the Global Recycling Standard (GRS) and the Recycling Claim Standard (RCS).

We also participate in Textile Exchange's International Working Group (IWG) on the Content Claim Statement (CCS), a chain of custody standard. This is a tool to verify that a final product actually contains one or more specific input materials. The IWG is designed to be a pre-competitive collaborative environment where participants can share their knowledge and experience. The purpose of the Group is to work together to ensure the standard continues to meet the needs of the industry.

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

5.5.1.2. Policies, standards and principles on which our supply chain management is based

5.5.1.2.1. Code of Conduct for Manufacturers and Suppliers

The framework governing our relationships with suppliers is the Code of Conduct for Manufacturers and Suppliers (hereinafter, CCMS or the Code of Conduct, available on our website). Its main purposes are:

- To provide **mandatory compliance standards** in matters of labour rights, product health and safety and environmental aspects.
- To define minimum standards **of ethical behaviour** to be observed by all suppliers and manufacturers throughout the supply chain, under the umbrella of respect for human and labour rights.

All manufacturers and suppliers wishing to form part of the Inditex supply chain are required to undertake to comply with the Code of Conduct, as well as to pass audits verifying such compliance. The breach of any of the above-mentioned requirements may entail the



FOR MORE INFORMATION
on the Code of Conduct for Manufacturers and Suppliers

termination of the business relationship with the supplier and/or factory.

To ensure that it is always fully aligned with best practices, Inditex has envisioned the Code of Conduct as a dynamic document subject to constant review so as to ensure it remains valid. Its conceptual framework is based on Organisation for Economic Cooperation and Development (OECD) principles, the Ethical Trading Initiative's Base Code, the United Nations Global Compact principles 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.

5.5.1.2.2. Green to Wear

In line with our commitment to fight against climate change and to easing the pressure on natural resources, at Inditex our operations and actions are guided by a strategy of environmental sustainability based on control and improvement throughout our supply chain, thus guaranteeing that our articles adhere to the most exacting standards of health, safety and environmental sustainability.

An example of this commitment is our own Green to Wear standard, which aims to minimise the environmental impact of wet process factories and to improve health and safety of articles, while promoting best practices.

Green to Wear includes **indicators that gauge the sustainable and efficient management of raw materials, water, technology and processes, chemical products, waste and wastewater**, and focuses on using the most advanced technologies to properly manage water and reduce its consumption. All the suppliers and manufacturers in our supply chain that perform wet processes are obliged to comply with this standard.

This standard is also a fundamental part of our strategy to manage chemicals in production, together with our programme The List, by Inditex, which in turn is key in the selection of the chemicals used and in ensuring the absence of hazardous substances both in emissions into the environment and in the product. Thus, in 2021 we have included new requirements in the Green to Wear standard related to the prevention of hexavalent chromium formation in post-tanning facilities that process chrome tanned leather.

Broadly, the Green to Wear standard, which is also available on our website, and the use of environmental audits to verify its compliance, allow a comprehensive control of the facilities carrying out wet processes in the supply chain. By applying this standard throughout the supply chain, together with the development of our The List by Inditex programme in the chemical industry that manufactures dyes, pigments and ancillary chemicals, we also aim to meet the objectives linked to Greenpeace's Clean Factory Approach and fulfil our commitments as part of Zero Discharge of Hazardous Chemicals (ZDHC).

[More information in section 5.4.4. Health and safety of our products of this Report.](#)

5.5.1.2.3. Responsible purchasing practices

One of the key aspects of sustainable supply chain management is responsible purchasing practices, which **guide the way we interact and negotiate with suppliers**. These practices cover strategic planning, sourcing, development, purchasing and the underlying values and principles that affect workers, thus facilitating living wages and better working conditions as well as sustainable development in the apparel, textile and footwear sector.

Responsible purchasing practices are fundamental to ensure the sustainability of the supply chain.

The Inditex Group is a member of the ACT on Living Wages initiative and under its umbrella we undertake to develop purchasing practices that facilitate the payment of a living wage. In fact, Inditex is an active participant in the ACT working group on purchasing practices.

[More information in section 5.5.2. Workers at the Centre of this Report.](#)



FOR MORE INFORMATION

on our own standard Green to Wear

5.5.1.3. Assessment and Continuous Improvement

5.5.1.3.1. Pre-assessment

In order to ensure that only those suppliers and manufacturers that meet our sustainability standards are part of our supply chain, we carry out an initial verification of compliance with our environmental and social requirements through pre-assessment audits **before they even enter into a business relationship with us.**

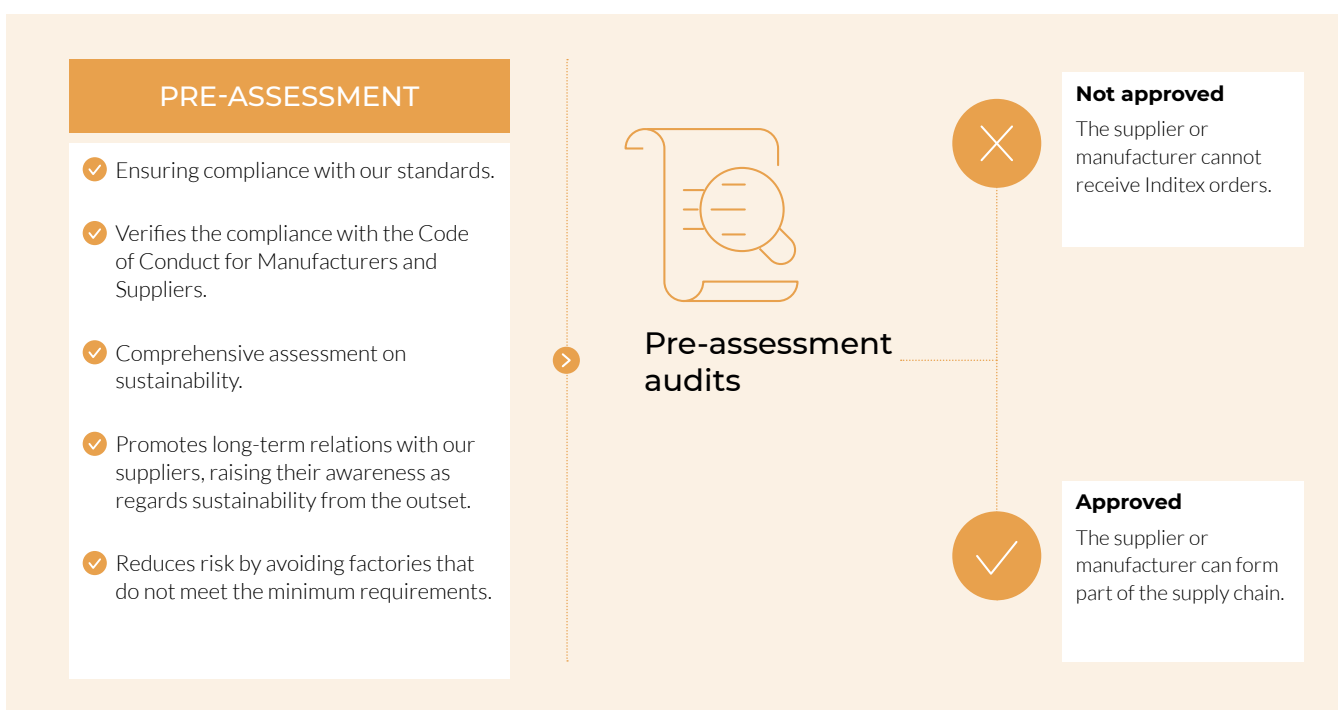
If a potential supplier or manufacturer is ranked as approved after this audit, they can receive orders from the Inditex buying teams and are subject

henceforth to the standards provided in the *Inditex Minimum Requirements* document, which includes the mandatory social, environmental and product health and safety requirements.

Inditex carried out **2,397 pre-assessment audits** during 2021 (3,062, 2,789 and 2,177 audits in 2020, 2019 and 2018, respectively). A total of 2,374 of these were conducted by external auditors, who are trained to correctly apply the Inditex methodology.

Pre-assessment audits in 2021

	Pre-assessment audits	Approved %
Africa	81	86%
Americas	27	89%
Asia	1,599	76%
Europe outside the EU	325	83%
European Union	365	98%
Total	2,397	81%



5.5.1.3.2. Social Audits

Once the pre-assessment has been approved, social audits **are carried out periodically and regularly** at each and every one of the suppliers and factories in our supply chain to check that the Code of Conduct is being applied, as it is mandatory for everyone we work with. These audits enable us to verify the degree of compliance with the Code of Conduct and establish Corrective Action Plans based on the results.

The purpose of social audits is to ensure that the fundamental rights of workers in our supply chain are respected.

Our social audit methodology was designed in 2007 in partnership with the former International Textile, Garment and Leather Worker's Federation (currently integrated in IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics of Cambridge University. This methodology has been updated several times and includes, among other protocols:

- Interviews with the workers and their representatives.
- Review of documentation related to the working conditions of workers.
- Visits to facilities.
- Interviews with management.

Auditors may be either internal or external, but they always perform audits without prior notice to the company that is to be audited. In 2021, **5,840 social audits⁷⁰** were carried out.



Social audits

	2021	2020	2019	2018
Africa	244	197	406	380
Americas	63	14	19	55
Asia	3,139	3,259	3,020	2,473
Europe outside the EU	1,326	1,074	1,660	1,241
European Union	1,068	1,145	1,306	1,210
Total	5,840	5,689	6,411	5,359

70. A company may receive more than one social audit during a fiscal year. Each audit carried out is considered when accounting for audits.

In order to ensure the quality of the audits and that our methodologies are correctly applied, we devote a great deal of effort to training external auditors. In 2021, we worked with 960 external auditors⁷¹, 743 of whom were trained in the same year. Of the more than 5,800 social audits conducted in 2021, 5,578 were conducted by external auditors belonging to various audit firms.

Based on the social audits, suppliers and manufacturers are rated in accordance with their degree of compliance with the Code of Conduct. In 2021, the active suppliers are classified as follows:



Classification	2021		2020		2019		2018	
	Number of suppliers ⁽⁷²⁾	Percentage (%)	Number of suppliers	Percentage (%)	Number of suppliers	Percentage (%)	Number of suppliers	Percentage (%)
A	653	37%	575	32%	784	40%	661	35%
B	1,077	60%	1,152	64%	1,051	53%	1,045	56%
C	18	1%	27	2%	44	2%	80	4%
Subject to CAP	23	1%	24	1%	38	2%	47	3%
PR	19	1%	27	1%	68	3%	33	2%
Total	1,790	100%	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 inconclusive aspect of the CCMS
SUBJECT TO CAP	Breaches of the CCMS triggering the immediate implementation of a corrective action plan
PR	Undergoing an auditing process

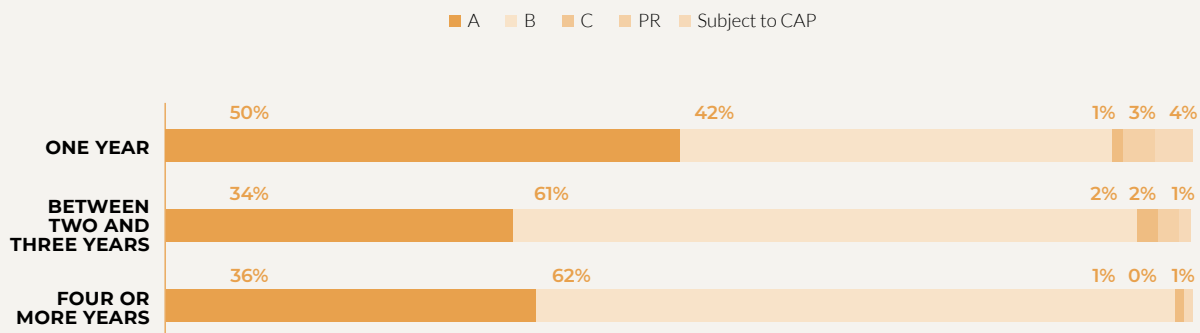
As evidence of the influence of sustainability criteria on purchasing practices, it is worth mentioning that this year **98% of purchases were made from suppliers rated A or B**, the highest sustainability compliance ratings.

71. Includes auditors that conducted social, environmental, pre-assessment, traceability, and special audits in 2021. The auditors are specialised in accordance with the scope of the audit.

72. It includes suppliers with more than 20,000 production units in the 2021 spring/summer and autumn/winter campaign. Suppliers with production of less than 20,000 units represent 0.25%.



CLASSIFICATION OF SUPPLIERS ACCORDING TO THEIR BUSINESS RELATIONSHIP WITH INDITEX (%)



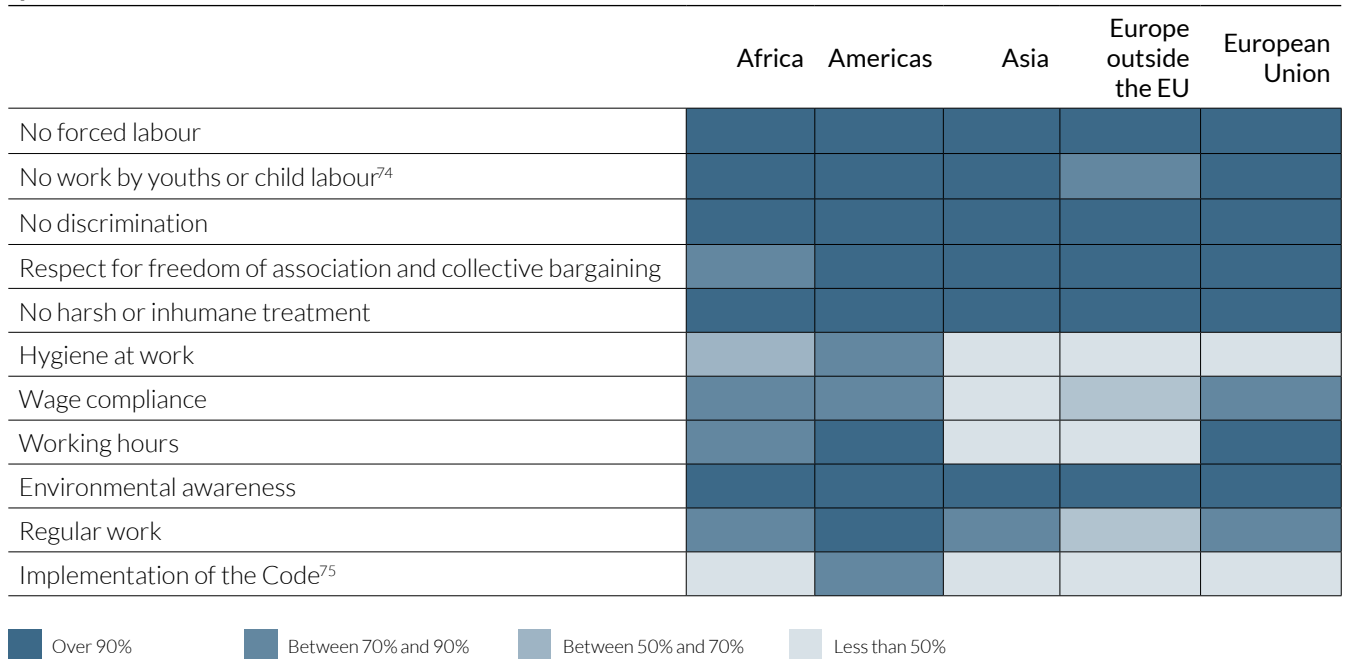
The initiatives for continuous improvement carried out with our supply chain are not confined to audits, but include training, advice, individual support or the implementation of Workers at the Centre programmes, among others, all of which are integrated into the day-to-day relationships between our sustainability teams and suppliers. An example of the result of this work dynamic is that the percentage of suppliers that achieve an A or B rating, which are the highest compliance ratings within our methodology, is higher among those that have been part of our supply chain for a higher number of years, and that have therefore been involved in our programmes for a longer period of time.

Each social audit triggers, where necessary, the instant application of a Corrective Action Plan (CAP) that includes measures that the supplier must apply to improve its degree of compliance with the Code of Conduct, as well as the terms for its implementation.

Social audits also allow us to determine and identify the main challenges in each country in relation to the different aspects of the Code of Conduct, and this is also a valuable source of information for activities that are part of the Workers at the Centre 2019-2022 strategy.

More information in section 5.5.2. *Workers at the Centre* of this Report.

Percentage of compliance with the Code of Conduct in the active factories⁷³ of suppliers with purchases in 2021



73. Factories blocked in 2021 not included.

74. Includes the lack of suitable systems for verifying the age of workers.

75. Includes the lack of suitable systems for registering and communicating with workers.

SOCIAL & LABOR CONVERGENCE PROGRAM

Inditex is a member and supporter of the Social & Labor Convergence Program (SLCP), in which we work to implement the first framework of industry-wide consensus to assess the social and labour conditions of workers at suppliers and manufacturers.

The process consists of a self-assessment performed by the factory itself, which is verified by a third party. The resulting information is shared among the various stakeholders.

The **main goals** of the initiative are:

- To strengthen suppliers' awareness of their responsibility to comply with international human rights and labour standards.
- To create an efficient, scalable and sustainable solution to prevent the various stakeholder groups from each performing their own social audits.
- To save time and resources which can be redirected into fostering improvements.

In 2021, we continued to make progress in our commitment to adopting the SLCP framework, promoting the verification of our suppliers and manufacturers according to the basic principles of this initiative and supporting them during the process. During this year, we added Bangladesh, Pakistan and Vietnam to the existing markets of China, India and Turkey.

Social audits of external distribution centres

Within the framework of our human rights strategy and the application of due diligence processes in our value chain, during 2021 we audited a number of the distribution centres we work with, both in Spain and abroad.

The procedure is the same as for our social audit of the factories in our supply chain. Thus, Corrective Action Plans are put in place if needed as a result of these audits.

5.5.1.3.3. Environmental Audits

The suppliers and factories that belong to our supply chain and perform wet processes must follow the Green to Wear standard, and compliance is regularly verified through environmental audits. This kind of audit is **performed by independent external auditors** during pre-announced visits which include a review of the documentation, and unannounced analyses of wastewater.

In 2021, 1,713 environmental audits were carried out⁷⁶.

	2021	2020
Africa	67	26
Americas	4	1
Asia	936	670
Europe outside the EU	441	237
European Union	265	189
Total	1,713	1,123

Moreover, these audits enable us to gauge compliance with several of our environmental sustainability commitments. Likewise, we collaborate with our suppliers to publish the results of wastewater analyses obtained from the Green to Wear assessments on the ZDHC Gateway platform.

FACILITY ENVIRONMENTAL MODULE (FEM)

To measure the environmental impact of suppliers and factories on aspects such as water and energy consumption, waste management and chemicals and emissions management, the Sustainable Apparel Coalition (SAC) –of which Inditex is an active member– has developed the Facility Environmental Module (FEM).

This is a process for the factory to carry out a self-assessment, which is then verified by a third party. The data resulting from this assessment is shared with the various stakeholders.

Its **main goals** are:

- To strengthen suppliers' awareness of their responsibility to comply with international environmental standards.
- To create an efficient, scalable and sustainable solution to prevent the various stakeholder groups from each performing their own environmental audits.
- To save time and resources which can be redirected into fostering improvements.

76. The number of environmental audits conducted in 2019 and 2018 is not included, since due to the update of the Green to Wear 2.0 standard in 2020 and the consolidation of the previous Green to Wear and Ready to Manufacture standards therein, the number of audits reported in previous years is not comparable.

LEATHER WORKING GROUP

We have been members of the Leather Working Group (LWG) since 2012. This is a non-profit organisation responsible for the leading environmental certification for the leather manufacturing industry, and has more than 1,300 members among brands, manufacturers, chemical suppliers, associations, etc.

LWG is a standard-bearer in the leather industry. Its goal is to guarantee the responsible supply of leather to the industry and consumers. The LWG standards includes environmental best practices for the industry, and drives continuous improvement.

We encourage our leather suppliers 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.

5.5.1.3.4. Special Audits

Special audits focus on a specific area for improvement and may be performed by external or internal auditors. For example, structural technical assessments performed of the facilities, verifications of the workers' labour conditions from a health and safety perspective specifically, or follow-up visits to monitor Corrective Action Plans.

1,408 special audits were performed in 2021.

Special audits

	2021	2020	2019	2018
Africa	91	36	57	130
Americas	5	2	112	132
Asia	1,066	673	1,117	1,398
Europe outside the EU	233	43	236	201
European Union	13	27	97	121
Total	1,408	781	1,619	1,982



5.5.1.3.5. Continuous Improvement

At Inditex, we believe in continuous improvement as a key to advancing towards our goals and strategies. Sustainable management of the supply chain is also consistent with this philosophy. One of Inditex’s main tools in this regard are the **Corrective Action Plans (CAPs)**, which are developed when non-compliances are detected in an audit, not only to establish measures to mitigate or remedy the non-compliances, but also to prevent them from occurring in the future.

These Action Plans are also evidence of our commitment to helping our suppliers and manufacturers to improve, offering them constant support throughout the duration of the CAP in two ways:

- Providing them with **advice and expertise** in regard to the best way to implement the corrective measures. In this regard, they may also have the support of other stakeholders, such as non-governmental organisations, trade unions or other civil society organisations to help implement the CAP. In 2021 we collaborated with organisations

DEVELOPING A CORRECTIVE ACTION PLAN

START OF THE CAP

Involvement throughout the process of buying teams, trade, unions, NGOs or other organisations where necessary

1



Launch

- ✓ Analysis of points of improvement.
- ✓ Discussing the plan and setting out correction dates.

2



Monitoring

- ✓ Request/receipt/verification of evidence
- ✓ Technical support
- ✓ Desk review of the improvements and follow-up with the supplier and manufacturer

CONTROL POINT or



COMPETENCE VISIT

3



Follow-up audit

CLOSE CAP

⊗ Blocking ✓ New rating

such as Refugee Support Centre (MUDEM) to roll out these Action Plans.

- **Continuously monitoring the plan**, including competence visits or control points, so as to act with the supplier before the established deadline if progress is not fast enough.

The goals and deadlines established in the Corrective Action Plans are exacting and the supplier must execute them in a proper and timely manner (its duration will depend on the severity of the non-compliances detected). In the most sensitive breaches –Subject to CAP– the plan lasts approximately six months, during which time **our teams provide support to suppliers and manufacturers** in order to implement the corrective measures.

Moreover, since 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 2021, 570 Corrective Action Plans were conducted. 294 of these plans were carried out in factories with a ‘Subject to CAP’ rating, and 276 in factories with other ratings (715 plans in 2020: 303 of these plans were carried out in factories with a ‘Subject to CAP’ rating, and 412 in factories with other ratings)⁷⁷.
- **Environmental CAPs:** in 2021, 583 Corrective Action Plans were conducted. 171 of these plans were carried out in factories with a ‘Subject to CAP’ rating, and 412 in factories with other ratings (490 plans in 2020: 132 of these plans were carried out in factories with a ‘Subject to CAP’ rating, and 358 in factories with other ratings)⁷⁸.

At the end of the Plan’s period, a new audit is carried out and, if critical non-compliances are verified again and the necessary measures are therefore found not to have been implemented, the factory or supplier will be blocked and will not be able to continue working for Inditex. This evidences our **zero tolerance policy with those who do not show a willingness to improve** and instead persist in their disregard for our Code of Conduct and our requirements.

In 2021, 16 suppliers were rejected for reasons related to breaches of the Code of Conduct, and ceased to receive orders from any brands in the Group (23, 25 and 26 in 2020, 2019 and 2018, respectively).



77. In 2019 and 2018, only Corrective Action Plans of a social nature implemented in factories or suppliers ‘Subject to CAP’ were reported (400 and 417 in 2019 and 2018, respectively).

78. 136 and 135 total Corrective Action Plans in 2019 and 2018, respectively.

	Suppliers with purchase in 2021 ⁽⁷⁹⁾	Rejected due to a breach of the Code of Conduct	Rejected for commercial reasons	Active suppliers at 31/01/2022
Africa	194	0	5	189
Americas	12	0	0	12
Asia	978	7	4	967
Europe outside the EU	223	7	0	216
European Union	383	2	0	381
Total	1,790	16	9	1,765

79. Suppliers of fashion items with a production of over 20,000 units in the 2021 spring/summer and autumn/winter campaigns. Suppliers with lower productions account for 0.25% of total production.



Blocking a supplier is a last resort, and that is why our support to suppliers and factories is not limited merely to performing CAPs, but we also take various actions to prevent non-compliances in the first place. At Inditex we believe in **collaboration and ongoing dialogue with our suppliers** as the basis of a relationship of mutual trust for the benefit of both parties. In this way, we offer them support and cooperation to improve their own supply chains, from the environmental point of view as well as to promote human and labour rights for their workers.

Due to the particularities of each region, clusters play a key role in this task of providing support and advice to suppliers. Comprised of local professionals with extensive experience in the field of sustainability, as well as varied skills and abilities, these multidisciplinary teams are equipped to identify the specific needs of each supply chain and to help suppliers meet global challenges.

Furthermore, ACT member brands have signed up to a series of commitments on purchasing practices that also involve supplier relations, including a responsible exit. As a result, in the event that we decide to stop working with a supplier for justified reasons, the relationship is terminated in a committed way, with prior monitoring and follow-up work to minimise any potential impact.

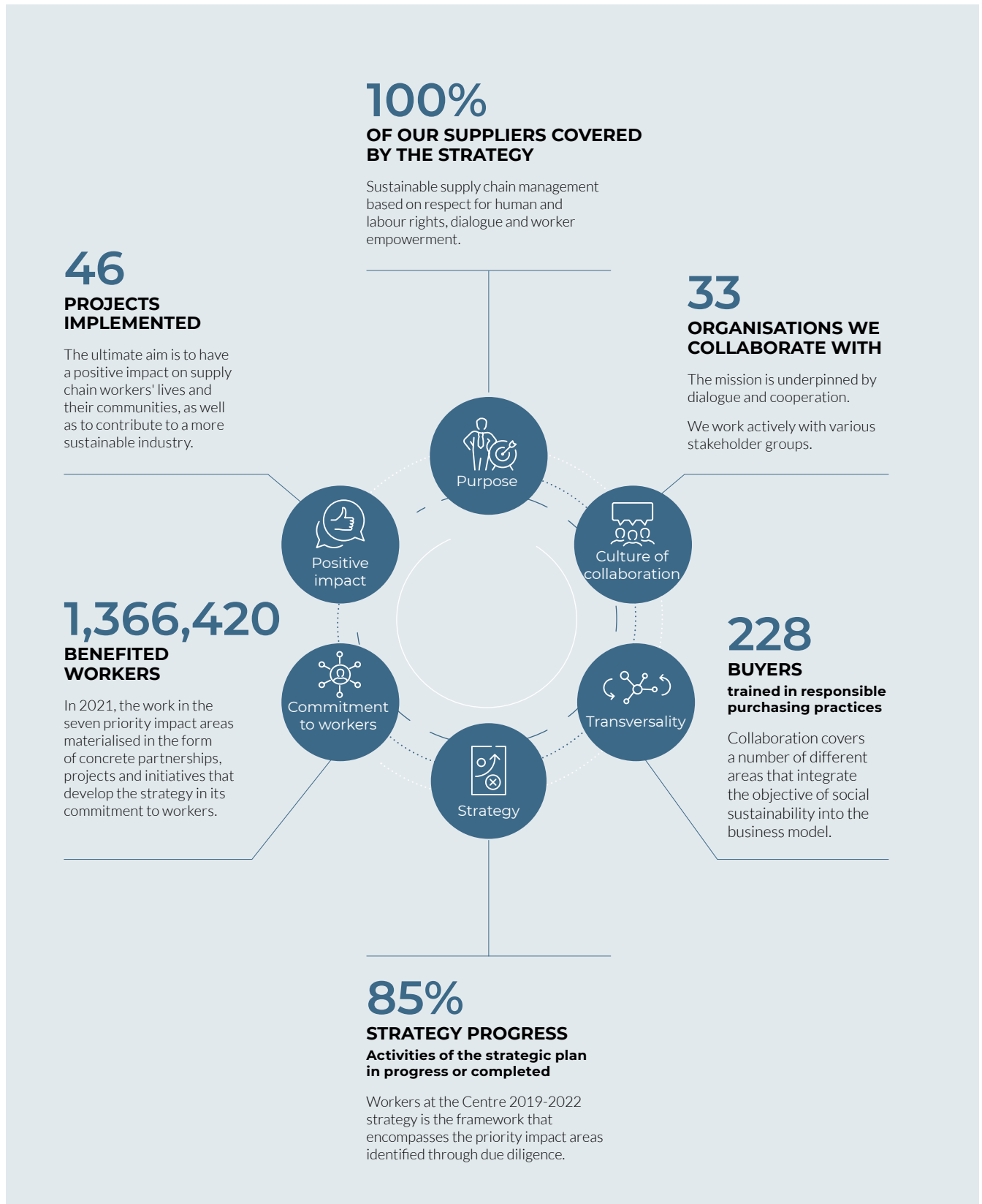
5.5.2. Workers at the Centre

GRI 102-41; 103-2; 103-3; 413-1; AF24; 407-1; 412-3; 403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-7; AF2 AND AF3



FOR MORE INFORMATION

on our initiatives within the framework of the *Workers at the Centre* strategy, see the *Workers at the Centre 2021* report available at Inditex corporate website.





At Inditex, we consider that we have the responsibility and the opportunity to help create **socially-sustainable production environments** for workers in our supply chain, thus generating a positive impact on the textile industry, which in many countries and regions is a significant driver of economic growth and progress. Accordingly, we ensure that our suppliers and manufacturers work in adherence to the values and responsible practices defined by the Group. We implement programmes that foster the improvement of social and labour conditions in each production area or cluster, in continuous collaboration and dialogue with official bodies, institutions and other relevant stakeholders.

To achieve our purpose

We identify, assess and improve the working conditions of 100% of our supply chain

- We cover 100% of the supply chain.
- Suppliers are subject to compliance with the Code of Conduct for Manufacturers and Suppliers and with our standards.
- We have tools to verify the compliance.

We are catalyst of change in the industry by fostering sustainable practices

- More sustainable industry in the long term.
- More prosperous communities.
- Collaboration with stakeholders.
- Responding to workers' needs.
- Tools for empowerment, engagement and well-being.



5.5.2.1. Purpose of the strategy

Through sustainable supply chain management and the various policies, tools and practices that comprise it, we have identified the needs of workers in the different geographic areas where we produce. The strategy is then developed and executed on the basis of that identification.

① More information in section 5.5.1. *Sustainable management of the supply chain* of this Report.

Our work on social sustainability, which is rooted in our corporate human rights strategy has long history. We have policies that underpin the different strategies, strong alliances and partnerships, and a global in-house team with extensive experience and expertise in human rights, labour rights and industrial relations, among other areas.

① More information in section 4.2.3. *Human rights* of this Report.

Our purpose is to carry out a sustainable supply chain management based on respect for human and labour rights, dialogue and worker empowerment.



Adherences and agreements



Policies



Strategy

PHASE 1 (2001- 2013)

Code of Conduct for Suppliers and Manufacturers



Renewal of the Code of Conduct



Buyer partner de



Adherence to United Nations Global Compact



Adherence to Accord Bangladesh



Inditex is a founding member and sits on the Steering Committee.

Adherence to Better Work



Renewal of the Code of Conduct



2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

Creation of clusters

Adherence to Ethical Trading Initiative



Global Framework Agreement with IndustriAll Global Union



Guiding Principles on Business and Human Rights

First to encompass the entire supply chain of a textile company



PHASE 2 (2014- 2018)



Adherence to ACT


 Adherence to Better than Cash Alliance


 Public-Private Partnership


 Protection of fundamental rights in the production of raw materials

 Sustainable Development Goals



2014 2015 2016 2017 2018


Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018



IDENTIFICATION ASSESSMENT OPTIMISATION SUSTAINABILITY

Renewal of the Global Framework with IndustriAll Union



PHASE 3 (2019- 2022)


Shift's Business Learning Programme



 Signing of the International Accord for Health and Safety in the Textile and Garment Industry


 Adherence to COVID-19: Action in the Global Garment Industry



2019 2020 2021 2022

Workers at the Centre 2019-2022


Renewal of the Global Framework with IndustriAll Union






PHASE 4 (2023- 2025)



Focus on the impact
 Update of due diligence

2023 2024 2025

Workers at the Centre 2023-2025




5.5.2.2. Culture of collaboration

Stakeholder involvement and engagement is a fundamental pillar of Inditex's strategy on social management of the supply chain. The challenges posed by a global supply chain are shared by many players and the **positive impact of working together** is beneficial to the industry as a whole, as well as to the development of the communities where the Group is present.

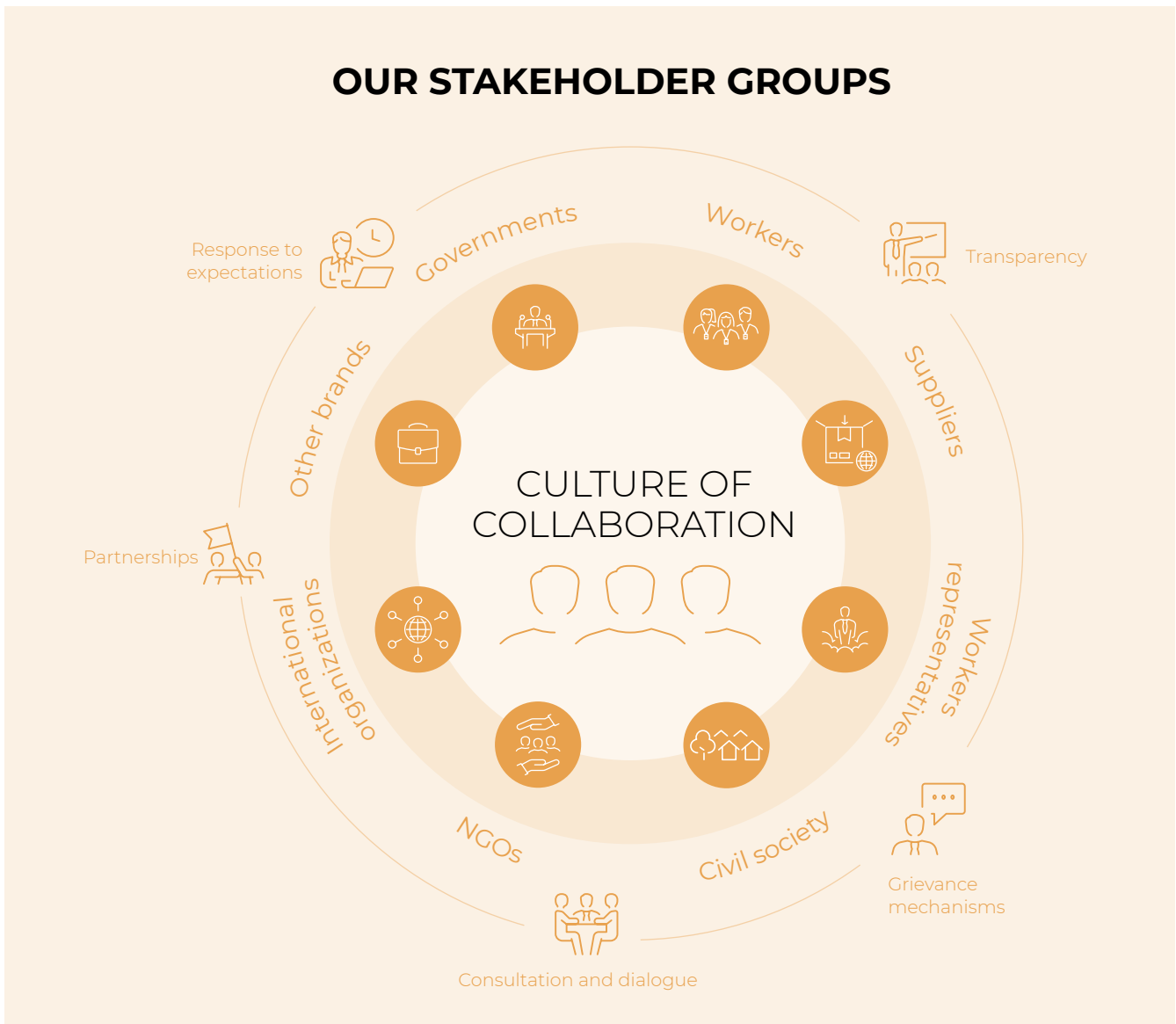
Thus, a culture of collaboration is a prerequisite for managing a supply chain that comprises more than three million people. We are mindful that it is only by understanding the reality of the people who make our products and by having a close relationship with our stakeholders that we can develop a strategy that has an impact on the supply chain and brings about transformation in the industry and the society. To this end, the Company has teams in the main production mar-

kets, in direct contact with suppliers, workers, trade unions, NGOs, local and national authorities, international organisations and academic institutions, among others. This way of working at the local level is what we call **'clusters'**. In 2021, Inditex had 12 clusters in Spain, Portugal, Morocco, Turkey, India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Argentina and Brazil.

Inditex's aim is for this culture of collaboration to result in the improvement, not only of our supply chain, but of the **textile industry as a whole**.

Supporting our suppliers

We support our suppliers throughout the commercial relationship, since social sustainability is a





shared responsibility: suppliers must respect human and labour rights to the same extent that the Company does. Likewise, our goal is to **support them in improving the supply chain**, training and helping them to take part in each of the projects designed as part of our strategy. In this regard, we conduct capacity building sessions on various topics linked to social sustainability. In 2021 we can highlight: gender equality, trade union freedom, living wages and occupational health and safety. In 2021 we provided 260 training programmes to 521 suppliers.

Strategic partnerships

One of our most significant alliances is with the international trade union federation IndustriALL, with which Inditex signed a Global Framework Agreement in 2007 that has been periodically renewed since then. This Framework Agreement supports us and brings us closer to local trade unions as it establishes a channel of communication between Inditex and them and, therefore, with the factory workers.

We also work with **international organisations** such as the International Labour Organization (ILO) through Public-Private Partnerships, the Better Work initiative, the United Nations Global Compact and its Action Platform on Decent Work in Global Supply Chains or Ethical Trading Initiative.

It is worth noting finally the relevance of the collaboration we have with **other brands**. For some years now, we have been taking part in a number of initiatives such as ACT (Action, Collaboration, Transformation), which works to achieve living wages in the supply chain through responsible purchasing practices and collective bargaining.

[More information in section 4.4.2. Partnerships of this Report.](#)

It is essential to understand the needs of workers, their families and the communities in which they live, as well as to provide them with the necessary tools to promote decent work and decent lives.

Hence, we foster the growth of our suppliers and are firmly contributing to the sustainable transformation of our industry.

5.5.2.3. Transversality

The culture of collaboration boosts transversality when it comes to managing our supply chain in a socially responsible way. A **common vision of sustainability**, integrated into the business model, is essential:

- With the buying teams through **responsible purchasing practices** that enable them to make commercial decisions from a sustainability standpoint.
- With the various teams working in different areas of sustainability in order to **generate synergies**.
- With other areas of the Company. At Inditex, we see sustainability as a **way of acting**, and as such it permeates the entire business model and each of the areas that develop it. In addition to the ongoing work with buying teams, a shared vision of sustainability facilitates coordination with corporate areas such as the General Counsel's Office and Office of the Compliance Office, Human Resources, Logistics and Innovation.

5.5.2.4. Strategy

WORKERS AT THE CENTRE

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



1,366,420

WORKERS

benefited from the "Workers at the Centre" strategy in 2021



1,153

SUPPLIERS AND FACTORIES

involved by the "Workers at the Centre" strategy in 2021



46

PROJECTS

developed by the "Workers at the Centre" strategy in factories and/or community in 2021

85%

PROGRESS

of the "Workers at the Centre" strategy

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.



Social Protection

Enabling the well-being of workers in the supply chain.



WORKPLACE



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.



Occupational Health and Safety

Guaranteeing that workers in the supply chain are protected against risks to their occupational health, safety, and well-being.



* Includes activities defined under the strategic plan that are complete or have been in progress since the strategy began.



>> **Worker Participation**

Developing and improving social dialogue to achieve mature industrial relations and to promote worker satisfaction.



WELL-BEING



>> **Living wages**

Facilitating that workers in the supply chain earn a living wage.

INDUSTRY



>> **Gender, diversity and inclusion**

Promoting that all the women in the supply chain benefit from the best conditions and opportunities, while fostering gender equality in a cross-cutting manner, and creating a diverse, safe and inclusive work environment.



THREE ELEMENTS



THE WORKER

The workers in the supply chain are placed in the centre as the main beneficiaries of the strategies and programmes based on their empowerment and participation.



THE DIMENSIONS

Workplace

We ensure that all the facilities in the supply chain meet the standards that guarantee respect for human and labour rights.

Well-being

Our goal is the development of the workers and their communities, in order to drive a transformative social change.

Industry

We firmly believe that the solution to many of the challenges in the sector lies in joint commitment and collaboration of all the players in the industry.



DUE DILIGENCE

It is an ongoing process, based on the **United Nations Guiding Principles on Business and Human Rights**, which has enabled us to identify seven priority impact areas (PIAs) in which we have established strategic action lines.

Supply chain workers are the main focus of our strategy. We want this strategy to fulfil the dual role of responding to the needs of workers, their families and communities, on the one hand, and promoting decent work and sustainable production environments, on the other.

After years of analysis, assessment and knowledge of our supply chain and after a human rights due diligence process developed in collaboration with Shift, the leading centre of expertise on business and human rights, in 2019 we unveiled our **Workers at the Centre 2019-2022 strategy**. The strategy is aligned with the UN Guiding Principles on Business and Human Rights, the Sustainable Development Goals, the Principles of the UN Global Compact, and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

The strategy comprises seven **Priority Impact Areas** which were identified through the due diligence process. These areas are: Worker Participation, Living Wages, Gender, Diversity and Inclusion, Occupational Health and Safety, Protection

of Migrants and Refugees, Social Protection, and Protection of Labour Rights in the Production of Raw Materials.

At the end of this financial year, one year away from the end of our Workers at the Centre 2019-2022 strategy, our overall progress on the strategic plan is **85%⁸⁰**. In 2021, 1,366,420 workers benefited from some of the activities and projects developed in the Priority Impact Areas, reaching 1,153 suppliers and manufacturers.

5.5.2.5. Commitment to workers

Each of the Priority Impact Areas is a work area led by experts, with a general goal, as well as other more specific objectives that are materialised through action lines, activities, projects and partnerships.

Their breadth and transversality allow us to establish links and connections between Priority Impact Areas on the basis of the related human rights and the Sustainable Development Goals (SDGs), transforming this into an ongoing collaboration and, at times, leading to the development of joint projects. While each of the seven Priority Impact Areas are significant independently, pooling efforts between them leverages the impact.



80. To gauge progress we take into account those activities outlined in the strategic plan which at the end of 2021 are complete or in progress.

5.5.2.5.1. Worker participation



The rights to freedom of association and collective bargaining are fundamental rights enshrined in International Labour Conventions, as well as in the ILO Declaration on Fundamental Principles and Rights at Work. These rights, coupled with the promotion of social dialogue, are intrinsic principles for promoting worker participation.

The primary **strategic lines** of this Priority Impact Area are as follows:

Promoting the Global Framework Agreement with IndustriALL Global Union

It is the backbone of our worker participation strategy because, through collaboration with IndustriALL and its local affiliates, we have been able to create a space in which to strengthen industrial relations in our supply chain.

Projects implemented in 2021

- Collaboration on the ground with IndustriALL and its local affiliates (Bangladesh, Morocco and Turkey)

Guaranteeing effective worker representation mechanisms

Workers, by means of their representation mechanisms, must be able to exercise social dialogue at both factory and sector level. For this purpose, we work with organisations that take a proactive approach to guaranteeing effective mechanisms for worker representation.

We also implement projects with bodies such as the International Labour Organization (ILO), via its Better Work programme, and Ethical Trading Initiative (ETI).

This principle of collaboration has borne fruit in Myanmar, for example, in the implementation of the Fast-Track Dispute Resolution Mechanism (DRM) at factories that supply brands participating in the ACT initiative.

In this respect, in the last few years, the country's garment sector has experienced exceptional development in industrial relations. This progress has been mainly possible due to the **ACT** (Action, Collaboration, Transformation) **initiative**, providing a space for social dialogue between employees and the country's IndustriALL Global Union affiliate, Industrial Workers' Federation of Myanmar (IWFEM), backed by the ACT member brands in the country, including Inditex.

The securing of the mandatory Myanmar Freedom of Association (FOA) Guideline in November 2019, the result of negotiations between employers and IWFEM with ILO facilitation and technical support, signalled an agreement hitherto unprecedented in the industry.

The events in Myanmar in February 2021 further strengthened ACT's commitment. It was embodied by the Framework on Responsible Pausing of Orders and the Framework on Workers' Safety and Terminations in Myanmar, devised as a responsible approach to minimise the impact amid the instability affecting production.

Despite ACT's decision to halt ACT Myanmar operations in December 2021 (as a result of the withdrawal of the local trade union affiliated with IndustriALL, IWFEM, from ACT operations), the state of industrial relations and the progress made in the last few years is a good example of how social dialogue drives substantial changes in the process of continued protection of workers' rights.

Inditex, as a member of the Ethical Trading Initiative, supports the independent and comprehensive assessment commissioned by this organization regarding the human rights impact in the garment sector in Myanmar, based on the application of the UN Guiding Principles on Business and Human Rights (UNGPs) and OECD due diligence guidance.

Projects implemented in 2021

- Training to suppliers in dispute resolution mechanisms (China)
 - Better Work programme (Bangladesh, Cambodia, Egypt, Vietnam and Indonesia)
 - ETI Social Dialogue Scale Up (Bangladesh)
-

Raising awareness on social dialogue and worker participation

We believe that raising awareness on social dialogue and worker participation are key to empowerment of workers and that of their legitimate representatives. In this regard, we focused our efforts on improving the capacity of both employers and workers to execute social dialogue and raise awareness on labour rights. Our collaboration with Smart Myanmar has continued throughout 2021, as have the various awareness and training activities carried out under our Global Framework Agreement with IndustriALL in countries such as Turkey and Morocco, and participation in internal activities with its local affiliates.

Projects implemented in 2021

- Communication and dialogue at the workplace (Myanmar)
-

5.5.2.5.2. Living Wages



Our strategy on with living wages is based on the premise of understanding and responding to the needs of the supply chain workers, their families and the communities in which they live so as to promote decent working conditions and sustainable production environments.

The primary **strategic lines** of this Priority Impact Area are as follows:

Promoting collective bargaining

Our living wages strategy is based on the principle that decent wages and, in general, decent working conditions, are those that result from bargaining and agreements between employers and freely elected workers' representatives. Accordingly, we actively promote workers' **freedom of association** and their right to free elections in order to elect their representatives. In addition, we implement a

number of measures to guarantee the right to collective bargaining, as well as capacity building sessions for workers and employers, providing them with the necessary tools to defend their rights, especially the right to a living wage.

Projects implemented in 2021

- Collaboration with ACT (Turkey, Bangladesh, Cambodia and Myanmar)

Responsible purchasing practices

We are mindful of the direct impact of the purchasing process on workers in our supply chain. That is why responsible purchasing practices are one of the foundations to secure a **living wage** for workers. These practices encompass every stage of the purchasing process, such as planning, development, price negotiation, payment terms and delivery times.



In this regard, our collaboration with the ACT initiative is fundamental. In March 2015 Inditex signed a Memorandum of Understanding (MoU) with IndustriALL, which guarantees our commitment to responsible purchasing practices that facilitate the payment of living wages. In 2018, the members of ACT agreed to the following **five commitments** in relation to purchasing practices:

COMMITMENTS TO RESPONSIBLE PURCHASING PRACTICES





In order to assess purchasing practices, in February 2021, ACT and member brands launched buyer and supplier surveys called the Purchasing Practices Self-Assessment (PPSA) and Purchasing Practices Assessment (PPA). In total, 207 Inditex suppliers took part in the surveys. The results will help us to advance in our strategy to fulfil the five commitments and thus be able to evaluate our supplier-related practices during the purchasing process.

Enhancing production organisation systems and methods

There is a direct link between the payment of living wages and the production systems and methods in place at factories. Hence, we develop and carry out numerous programmes in collaboration with our suppliers, facilitating the implementation of appropriate production methods and working systems, with the aim of improving the general working conditions and satisfaction of their workers. Foremost among them are the LEAN project, an internal initiative created by our team, or the ILO’s SCORE programme.

Projects implemented in 2021

- LEAN project (China, Bangladesh, Portugal, India)
 - SCORE programme (China)
-

Improving management systems and wage digitalisation

We believe that wage digitalisation and financial inclusion are fundamental to build a solid base to advance towards achieving living wages. As part of this line of action we have analysed and improved management systems for wages and working hours while, at the same time, incentivising suppliers and making headway in wage digitalisation, with a view on the **financial inclusion** of supply chain workers.

Projects implemented in 2021

- Wage digitalisation capacity building (Bangladesh, Vietnam, India)
 - HERfinance – digital payments (Bangladesh, Cambodia, India and Vietnam)
 - Wage digitalisation analysis (Pakistan)
-

5.5.2.5.3. Gender, diversity and inclusion

GENDER, DIVERSITY AND INCLUSION

STRATEGY



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



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



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



ALLIANCES AND PARTNERSHIPS

- AÇEV
- Associação plano i / centro gis
- Business for Social Responsibility (BSR)
- Ethical Trading Initiative
- Medicus Mundi
- International Labour Organization
- St John's Medical College
- SAVE Foundation
- The International Center for Research on Women (ICRW)
- UN Foundation



Encouraging all the women in the supply chain to benefit from the best conditions and opportunities, while promoting gender equality in a cross-cutting manner, and creating a diverse, safe and inclusive work environment

RELATED SDG



RELATED HUMAN RIGHTS

- Fair and favourable working conditions
- Non-discrimination,
- Adequate standard of living
- Education
- Health
- Life
- Not being subject to degrading treatment
- Not having to endure harassment
- Equal pay
- Freedom of movement
- Freedom and security of the person
- Engagement in public life
- Rights of employees with disabilities
- Reproductive rights

2021 KEY INDICATORS



235,041
BENEFITED WORKERS



109
SUPPLIERS AND FACTORIES REACHED



BANGLADESH, CHINA, INDIA, MOROCCO, PAKISTAN, PORTUGAL, TURKEY AND VIETNAM

The Gender, Diversity and Inclusion strategy is structured upon three pillars (health, protection and empowerment) which we approach from two perspectives: **women empowerment** and the **inclusion of the LGBT+ community**. Our aim is to promote gender equality in a cross-cutting way, creating a diverse, safe and inclusive working environment.

The primary **strategic lines** of this Priority Impact Area are as follows:

HEALTH: Facilitating healthcare services, chiefly in maternity and reproductive health

We work in various countries via different partnerships with the aim of:

- Guaranteeing access to health services and promoting women's health, in particular reproductive health and women's hygiene.

- Guaranteeing pregnancy and maternity rights to all women workers in the supply chain.
- Facilitating access to health services aimed at specific gender or sexual orientation requirements among the LGBT+ community.

Furthermore, we have a public commitment with the UN Foundation that consists on reaching at least 70,000 women workers in 2022 health services (such as maternity care and reproductive health).

Projects implemented in 2021

- Medicus Mundi Health (Morocco)
- Sakhi Health (India)
- HERhealth (Vietnam)



PROTECTION: Promoting zero tolerance policies and practices for the prevention and management of workplace harassment

Preventing and managing workplace harassment when it occurs, and implementing zero tolerance policies towards these conducts, is a part of the basic human rights strategy we advocate at Inditex.

In this respect, we carry out different activities, projects and training to promote the development and implementation of zero tolerance policies regarding workplace and sexual harassment, as well as prevention practices. The main idea is to secure **diverse and inclusive working environments** so as to preclude any kind of discrimination. For example, in Morocco we collaborate with Medicus Mundi to execute a project with this aim.

Projects implemented in 2021

- Medicus Mundi Protection (Morocco)
 - HERrespect (Bangladesh)
-

EMPOWERMENT: involving female workers in programmes related to finance, leadership, and empowerment

The empowerment of workers is crucial to provide them with the necessary tools to improve their working conditions. In this regard, we aim to provide access to the necessary tools to enable women to actively engage in the workplace, involving them in financial, leadership and empowerment programmes. To achieve this, we work with international organisations like BSR or local organisations like AÇEV in Turkey.

Projects implemented in 2021

- Together Strong (Turkey)
 - HERessentials (Pakistan)
 - Self-Diagnosis Tool (Bangladesh, India and Vietnam)
 - HERfinance – Financial empowerment (China)
 - Diversity and inclusion (Portugal)
-

5.5.2.5.4. Occupational Health and Safety

OCCUPATIONAL HEALTH AND SAFETY



Monitoring compliance with the Code of Conduct and applicable legislation



Emergency preparedness and response



Effective worker participation in occupational health and safety issues



Implementing occupational health and safety management systems



ALLIANCES AND PARTNERSHIPS

- AKUT
- International Accord
- Medicus Mundi
- National Safety Council
- RMG Sustainability Council
- St. Johns Medical College



Guaranteeing that workers in the supply chain are protected against risks to their occupational health, safety, and well-being



RELATED HUMAN RIGHTS

- Freedom of association
- Fair and favourable working conditions
- Education
- Health
- Life

RELATED SDGS



2021 KEY INDICATORS



935,483

BENEFITED WORKERS



542

SUPPLIERS AND FACTORIES REACHED



PORTUGAL, MOROCCO, TURKEY, INDIA, PAKISTAN, BANGLADESH, VIETNAM AND CHINA

Protecting people from occupational health and safety risks is a key element to achieving decent and sustainable working conditions.

The primary **strategic lines** of this Priority Impact Area are as follows:

Monitoring compliance with the Code of Conduct and applicable legislation

The essential compliance requirements for facilities in our supply chain are provided in our Code of Conduct for Manufacturers and Suppliers, as well as the applicable national legislation. In this regard, **monitoring levels of compliance and establishing initiatives for improvement** is a priority. Likewise, the *ILO Code of practice on safety and health in the textiles, clothing, leather and footwear industries and the EU Strategic Framework on Health and Safety at Work 2021-2027*, both adopted in 2021, serve as key ref-

erences for setting new targets, making progress on occupational health and safety and directing efforts beyond mere legislative compliance.

As part of this line of work we implement initiatives for evaluation and continuous improvement in areas such as structural safety, fire prevention and electrical safety, or health and safety training. We also monitor compliance of Accord/RSC corrective action plans in Bangladesh.

Projects implemented in 2021

- Structural assessment, fire prevention and electrical safety (Bangladesh, Turkey and China)
- Assessment, continuous improvement and training in health and safety (Morocco and Cambodia)
- Monitoring compliance of Accord/RSC corrective action plans (Bangladesh)
- Boiler safety (Morocco)

Emergency preparedness and response

Adequate emergency preparedness and response enables an organisation to minimise potential damage and related consequences. We work with our suppliers and manufacturers to strengthen and maintain the necessary provisions for emergency prevention, preparedness and response through a number of initiatives, such as improving their emergency plans or training workers in evacuation and first aid.

Projects implemented in 2021

- Structural, fire prevention and electrical safety using advanced diagnostics (India and Pakistan)
 - Training programme for emergency preparedness (Turkey)
 - Training, assessment and improved response to emergencies, electrical and fire risks (Pakistan)
-

Effective worker participation in health and safety issues

Worker participation is an essential aspect of proper occupational health and safety performance. We endeavour to ensure that both workers and their representatives are **consulted, informed and trained in health and safety matters** in all aspects relevant to their work. Examples of our programmes in this line of action are the support and accompaniment of Health and Safety Committees in Morocco or the support and direct engagement in connection with RSC grievance mechanisms in Bangladesh.

Projects implemented in 2021

- Support for the Health and Safety Committees (Morocco)
 - Development and participation of workers in the improvement of their physical and mental health (Portugal and Vietnam)
-

2021 MILESTONE

Signature of the International Accord for Health and Safety in the Textile and Garment Industry

Throughout this year, from Inditex we have promoted the signature of the International Accord for Health and Safety in the Textile and Garment Industry, known as the International Accord, which took place on 1 September 2021. This new agreement, signed individually by brands in the sector and by IndustriALL Global Union and UNI Global Union, is based on the 2013 Accord on Fire and Building Safety in Bangladesh and the 2018 Accord on Fire and Building Safety in Bangladesh, which we also promoted.

One of the main new developments of this agreement is the commitment to expand to other markets the lessons learnt and achievements from previous agreements, which attained unprecedented success in effectively and transparently establishing essential health and safety measures in the textile industry in Bangladesh. Furthermore, this new agreement acknowledges the option to expand its scope beyond aspects linked to health and safety, with a view to undertaking due diligence on human rights.

The International Accord supports the RSC initiative, which is independent and aimed at continuing the work done on safety in the textile industry in Bangladesh in the last few years, by means of a close collaboration between manufacturers, brands and unions. At Inditex, we continue to collaborate with this initiative, as part of our commitment to health and safety in the supply chain.

Implementing occupational health and safety management systems

The implementation of occupational health and safety management systems helps to ensure healthy and safe working environments, providing a framework for appropriate risk and opportunity management, anticipation and change management. Our work with suppliers and manufacturers is especially focused on reinforcing this commitment to occupational health and safety and enabling their organisa-

tional structure to establish occupational health and safety management systems aimed at continuous improvement. In this regard, we conduct projects in countries like Vietnam, where we collaborate with a leading local university.

Projects implemented in 2021

- Safety and well-being in the workplace (Vietnam)
- HOPE: Health – Opportunity to Protect and Engage (India)

5.5.2.5.5. Protection of migrants and refugees

PROTECTION OF MIGRANTS AND REFUGEES

STRATEGY



Remediation plans for refugees and migrants



Fair employment and recruitment practices for migrants and refugees



Reinforcing social and labour cohesion



ALLIANCES AND PARTNERSHIPS

- International Labour Organization
- Refugee Support Center (MUDEM)
- United Work
- Support to Life
- Association for Solidarity con Asylum Seekers and Migrants (ASAM)
- Social Awareness and Voluntary Education (SAVE)



Ensuring that the rights of refugees and migrants are upheld and that a decent workplace is provided in factories, supporting cohesion



RELATED HUMAN RIGHTS

- Freedom of association
- Non-discrimination
- Education
- Life
- Property
- Ban on forced labour
- Freedom of thought, conscience and religion
- Privacy
- Protection against violence
- Health

RELATED SDGS



2021 KEY INDICATORS



40,828
BENEFITED WORKERS



115
SUPPLIERS AND FACTORIES
REACHED



INDIA AND TURKEY

Refugees and migrant workers are among the most vulnerable groups working in supply chains within the textile industry and are therefore at a higher risk of having their human rights impacted. Under the umbrella of our Policy on Human Rights and Code of Conduct for Manufacturers and Suppliers, **Inditex provides special protection to all migrants**, especially to refugees in Turkey, due to their particular vulnerability as a result of the Syrian conflict. In India there is also a high degree of internal migration.

The primary **strategic lines** of this Priority Impact Area are as follows:

Remediation plans for refugees and migrants

At Inditex, in the event that our assessments reveal migrant or refugee workers at any of the production facilities we work with, we examine the circumstances on a case-by-case basis and, if necessary, we implement corrective action plans in collaboration with expert organisations in the field so as to provide support to both the workers and their families. These plans are especially significant in Turkey, where we work with the local organisation MUDEM in their implementation.

Projects implemented in 2021

- Remediation plans (Turkey)
 - Sankalp (India)
-

Fair employment and recruitment practices for migrants and refugees

Establishing effective management systems to ensure that all workers, including migrants and refugees, are recruited fairly and benefit from **decent working conditions** is relevant to our work in this Priority Impact Area, as it is fundamental to their professional and personal well-being. An example of our work is the *Sowbhagyam 2* programme, implemented in the Tamil Nadu region of India in partnership with the local organisation SAVE, to assess the potential risks to which women workers at the spinning mills are exposed, and to introduce the measures needed to reduce these.

Projects implemented in 2021

- Sowbhagyam (India)
-

Reinforcing social and workplace cohesion

This strategic line is aimed at increasing cohesion in the workplace by strengthening communication and interaction between refugees, migrants and host communities through the development of new projects, as well as the dissemination of best practices throughout the Inditex supply chain. Our efforts are especially intensive in Turkey, where we work with organisations like United Work.



Projects implemented in 2021

- Training project with United Work (Turkey)
 - ILO integration project (Turkey)
 - Towards an inclusive workplace for refugees (Turkey)
 - Facilitating equitable workplaces that generate a culture of peaceful life (Turkey)
-

5.5.2.5.6. Social Protection



Social protection is a **human right** defined as the set of policies and projects designed to reduce and prevent the vulnerability of persons throughout their life. Social protection includes benefits for children and families in areas such as maternity, unemployment, occupational accidents, illness, age or disability, as well as health protection. Moreover, it plays a key role in achieving sustainable development, promoting social justice and realising the human right to social security for all.

The primary **strategic lines** of this Priority Impact Area are as follows:

Access to social protection and social benefits

Social security is a set of measures and policies that support all households and individuals to avoid or to tackle financial difficulties in their lives. We are

2021 MILESTONE

Covid-19 Initiative: Action in the Global Garment Industry

The initiative, launched in 2020 as a joint response to the effects of covid-19, 'aims to catalyse action from across the global garment industry to support manufacturers to survive the economic disruption caused by the covid-19 pandemic and to protect garment workers' income, health and employment. This global action also calls for work on sustainable systems of social protection for a more just and resilient garment industry'.

Inditex has played a proactive role in the creation of this initiative and, having formally adhered to it, has undertaken, together with another brand, the representation of the brands in the International Working Group created to mobilise resources from international financial institutions and donors, with a view to contributing to sustainable social protection systems.

In 2021, we have continued to pursue the main lines of action, including fostering social dialogue or strengthening social protection systems, in countries like Bangladesh, Cambodia, Ethiopia, Haiti, Indonesia and Pakistan.

committed to assessing and improving the social security management systems in our suppliers' factories and then developing plans, with the assistance of other stakeholders, to ensure that all our workers have access to social security and other social benefits. We are also actively and closely involved with institutions and organisations that are in a position to supplement those plans so as to guarantee employee well-being.

Alleviating poverty and preventing school drop-out

The first major challenge for Inditex in the communities where the workers in our supply chain live is to join forces in combating the challenges they may face, by rolling out **action plans** that help promote children's rights.

In this regard we implement plans to prevent school drop-out. We work with expert organisations such as CYDD (Association for the Support of Contemporary Living) and Istanbul Bilgi University to understand the relevant context and circumstances so as to then engage in dialogue with local authorities and other stakeholders.

Projects implemented in 2021

- Prevention of school drop-out (global)
 - Ending long-distance parenting for working parents (China)
-

Facilitating access to adequate nutrition and drinking water

Drinking water, along with access to nutritional foods, represents a challenge for workers in some countries of our supply chain, and in particular for certain more vulnerable groups, such as women. Through our partnership with ALIVE & THRIVE we want to advance in the creation of breastfeeding-friendly workplaces in countries such as Cambodia and Vietnam.

Projects implemented in 2021

- Mothers at the workplace – Breastfeeding-friendly workplaces (Vietnam and Cambodia)
-

Promoting health and personal well-being

Health and hygiene are two essential, related and interactive concepts. Health refers to a person's **physical and psychological well-being**, and covers both their state of health and their having sufficient and adequate resources to live. Hygiene refers to conditions and practices that serve to promote or preserve health. In this regard, at Inditex we promote welfare programmes within the action plans related to social protection and which go hand in hand with the actions executed in the Occupational Health and Safety Priority Impact Area.

Projects implemented in 2021

- Happiness for all (India)
-

5.5.2.5.7. Protection of labour rights in the production of raw materials

PROTECTION OF LABOUR RIGHTS IN THE PRODUCTION OF RAW MATERIALS



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



Increasing the responsibility on sustainability of all the players in the supply chain



Establishing best practices and recommendations for the raw materials supply chain



ALLIANCES AND PARTNERSHIPS

- Business for Social Responsibility (BSR)
- International Labour Organization
- Responsible Sourcing Network (RSN)



Strengthening 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 HUMAN RIGHTS

- Freedom of association
- Fair and favourable working conditions
- Adequate standard of living
- Freedom of movement
- Healthy environment
- Ban on forced labour
- Collective rights of communities

RELATED SDGS



2021 KEY INDICATORS



INDIA, MALI AND PAKISTAN

Raw materials are the basis for any product marketed by Inditex. Through this Priority Impact Area we aim to obtain a **holistic vision** and work on identifying the needs of the workers in this part of our supply chain through the corresponding due diligence processes that allow us to ensure that their fundamental rights are respected.

The primary **strategic lines** of this Priority Impact Area are as follows:

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

The workers who produce raw materials, such as cotton growers and farmers, present certain particularities compared to those who work in factories. To address their specific needs, we partner with local and international organisations and the

communities themselves to promote sustainability.

Specifically, in 2017 we entered into an enduring public-private partnership with the ILO which ensures that the fundamental rights of cotton farmers in communities in India, China, Pakistan and Mali are upheld.

Projects implemented in 2021

- Public-private partnership with the ILO (India, Pakistan, Mali)

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

We collaborate with various stakeholders with the aim of achieving **sustainable change** in the conditions of cotton workers. We have worked hand in hand with the ILO and with key stakeholders in India



and Pakistan to increase their engagement and accountability in the cotton supply chain and to implement joint actions that benefit them.

Another clear example of collaboration is with the Responsible Sourcing Network in the YESS (Yarn Ethically & Sustainably Sourced) project. This project is based on the OECD’s approach to risk identification through due diligence and seeks to standardise due diligence processes in order to replicate best practices throughout the industry.

Projects implemented in 2021

- Yarn Ethically & Sustainably Sourced (Global)
-

Creating best practices and recommendations for the raw materials supply chain

We collaborate in global projects to identify impacts and best practices in connection with raw materials, such as the Visible Thread project to design a vision, policy and action plan shared throughout the industry for a more sustainable cotton supply chain.

In the past 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 the necessary mechanisms to prevent or remedy them into practice.



In 2021, 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.

Furthermore, Inditex is a signatory to the Uzbek Cotton Pledge geared towards eradicating forced labour in the cotton chain in Uzbekistan.

Projects implemented in 2021

- The Visible Thread (Global)
-



5.5.2.6. Positive impact

Our work has the ultimate goal of **having a positive impact on workers** in the Group’s supply chain. Thanks to the Workers at the Centre 2019-2022 strategy, implemented through the Priority Impact Areas and materialised through specific projects and plans, we reach out to workers in order to empower them, identify their needs and provide them with the tools to fulfil those needs, as well as to improve their living and working conditions, and those of everyone around them.

The projects we undertake at factories and/or in the workers’ communities play a key role in achieving transformational results for people in the supply chain and the wider community. In addition, they help us to gain a **deeper understanding** of

local challenges and needs with regard to specific social sustainability and human rights issues; hence they also help strengthen our efforts in this area.

In 2021, our *Workers at the Centre* initiatives reached **1,366,420 workers**.

1,366,420

WORKERS REACHED

in 2021 throughout the initiatives of *Workers at the Centre*.



5.6.

Collaborating to safeguard the planet

Related material topics: Stakeholder engagement; Innovation; Climate change; Environmental footprint minimisation; Protection of natural resources.



Our commitment to sustainability permeates all stages of the value chain. Reducing environmental impact and helping to build a more sustainable industry are fundamental objectives for our Group.

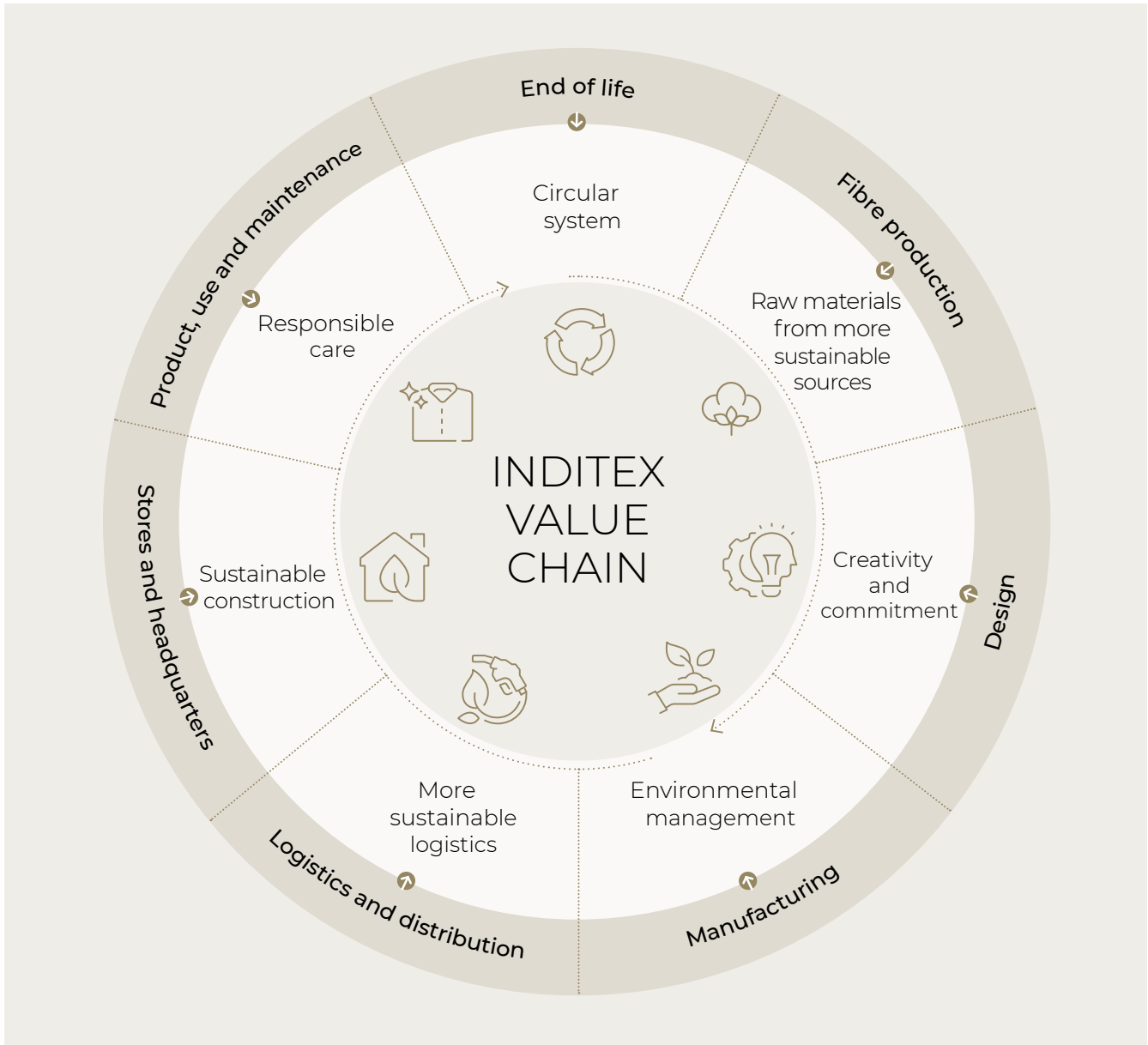
At Inditex we are committed to **caring for the planet, reducing pressure on resources and stopping climate change**. Within this framework of action, we apply a number of measures throughout the value chain to reduce the impact of water and energy consumption through efficient use of resources, protect biodiversity, promote circularity and thus progress towards decarbonisation. Hence, we contribute to the achievement of the Sustainable Development Goals and the Paris Climate Agreement's goal, and firmly pursuing efforts to limit global warming to 1.5°C in line with the latest evidence from the IPCC and the COP26.

2021 MILESTONE

New sustainability commitments

The Group approves new sustainability targets at its Annual General Meeting and brings forward its commitment to achieve net zero emissions by ten years to 2040. The pledges announced include:

- In 2022, 100% of the energy consumed at our own facilities will come from renewable sources.
- By 2025, water consumption throughout the supply chain will have been reduced by 25%.



The principles of environmental action at Inditex are provided in our Sustainability Policy⁸¹. Among these stand out the consideration of environmental variables in the planning and development of our activities and those of our partners and suppliers, promotion of environmental awareness; and compliance with applicable environmental legislation (as well as other obligations that may be established). The Policy also establishes as a fundamental principle the preservation of the environment through the implementation of continuous improvement actions in aspects such as emissions, consumption of resources, use of chemicals and waste management.

These principles are embodied in our three environmental strategies –Energy, Water and Biodiversity– as well as in the commitments to forest products, as set out in our Forest Product Policy.

FOR MORE INFORMATION
on our Forest Product Policy.

① More information in section 4.2. *Sustainability, the basis for transformation of this Report.*

FOREST PRODUCT POLICY



Guide for the selection and use of raw materials sourced from forests aimed at ensuring that they come from sustainably managed forests and with the commitment to protect primary and endangered forests.

81. Our Sustainability Policy replaces the previous Environmental Sustainability Policy, the amendment of which was approved by the Board of Directors on 14 December 2020.

ENVIRONMENTAL STRATEGIES



Global Energy Strategy

Guidelines for promoting sustainable energy practices.



Global Water Management Strategy

Guidelines and actions for promoting sustainable water management.



Biodiversity Strategy

Guidelines and actions for promoting the protection, conservation and development of biodiversity throughout the Inditex value chain.



FOR MORE INFORMATION
on our Global Energy Strategy.



FOR MORE INFORMATION
on our Global Water Management Strategy.



FOR MORE INFORMATION
on our Biodiversity Strategy.

These strategies are applied throughout our value chain. They are binding on all our facilities, on the design and manufacture of our products and, in short, on all our activities. In this regard, a more efficient use of resources is a constant that we apply to our products as well as to all of our operations.

The significance of sustainability in our business model has led us to undertake new commitments to add to our Sustainability Roadmap:

- Bringing forward by 10 years, to 2040, our goal of **net zero greenhouse gas (GHG) emissions**.
- Achieve in 2022 that 100% of the energy used at our own facilities comes from **renewable sources**.
- Reduce **water consumption** in the supply chain by 25% in 2025.

These goals evidence our commitment to advancing towards a low-carbon economy. This has been a clear aim at Inditex since we began developing our environmental sustainability strategy, but it has notably accelerated in recent years.

An example of this is the milestone approval in August 2020 of our **science-based targets** (SBTs) by the Science-Based Targets initiative (SBTi):

- 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 and services category), by 2030 compared to 2018.

In the process of defining our SBTs we worked with a number of experts, industry organisations and the SBTi initiative itself in order to model our reduction scenarios. This complex process culminated not only in their validation by SBTi, but also in

the organisation describing them as “ambitious”, as the proposed reductions are more stringent than the most ambitious emission reduction pathways available at the time.

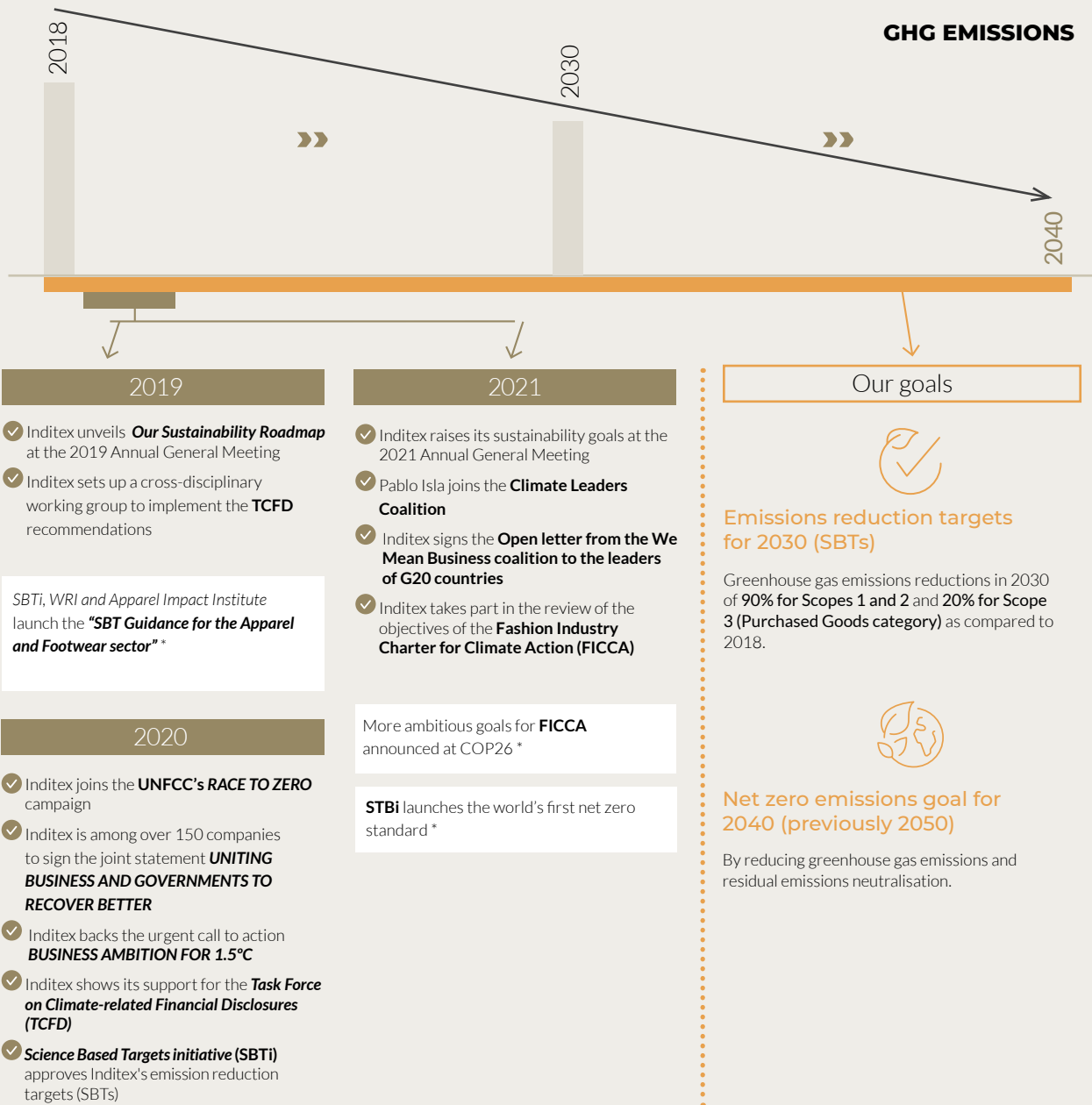
We are also committed to using more sustainable raw materials, to the circularity of our products and to efficiency in our activities and those of our suppliers and manufacturers, all of which are key to attaining our decarbonisation targets.

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

We are aware of how rapidly environmental challenges and opportunities evolve, and in particular those related to decarbonisation. Furthermore, we want to play an active part in the necessary change that need to be made in order to make progress in this area. Our reduction targets and scenarios are therefore regularly reviewed to ensure that they are consistent with our own internal ambition, the expectations of our stakeholders and the latest scientific evidence.



OUR APPROACH TO DECARBONISATION



* External actions

In addition, we continue to work on the integration of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We analyse future climate scenarios and the associated risks and opportunities to pursue a decarbonisation strat-

egy that is in line with science, resilient and competitive in the short, medium and long term.

More information in section 5.10.4. *Climate change: risks and opportunities* of this Report.

To fulfil our commitments, it is essential to extend the culture of sustainability to all of **our teams**. In 2021, we continued to provide environmental sustainability training to teams at our headquarters, logistics centres, own factories and stores. Training was conducted both in Spain and in the markets where we have a commercial presence, such as China, Turkey, India, Mexico, Germany, Argentina, Brazil, Bangladesh, Australia and France, among others. More than **14,000 employees** have received training on environmental sustainability in 2021.

① More information in section 5.4. *Collaborating to transform through sustainable management of our products of this Report.*



Commitment to external initiatives

We believe that cooperation with other companies and organisations is necessary to address common challenges facing not only our industry, but also society as a whole, such as climate change and the preservation of natural resources, among others. Our aim is to join forces to change the current paradigm and align ourselves with **shared goals and commitments**. That is why we have joined several collaboration initiatives.

In this regard, in May 2021 the Inditex's Executive Chairman, Pablo Isla, joined the Alliance of CEO Climate Leaders, a global community of chief executives from different economic sectors and geographic areas. The purpose of the partnership, which is part of the World Economic Forum, is to ramp up commitment to sustainability and facilitate the transition to a net-zero emissions economy.

Main external initiatives

We mean business coalition

This initiative, involving 778 companies, is aimed at accelerating action to fight climate change. The organisation proposes to halve emissions by 2030 and reach net zero by 2050 at the latest, end carbon energy financing, align public finances with the goal of limiting the global temperature rise to 1.5°C,

and strengthen adaptation and resilience measures. In the last quarter of 2021, the coalition urged more ambitious measures from the leaders of the world's major economies, meeting at the G20 summit in Rome, and from the countries participating in COP26 in Glasgow.

Race To Zero

Campaign under the umbrella of the United Nations Framework Convention on Climate Change (UNFCCC) aimed at driving the change to a decarbonised economy. It is the largest partnership in history committed to achieving net zero carbon emissions by 2050, at the very latest.

Business ambition for 1.5°C by the United Nations

Urgent call to action by a global coalition of UN agencies and business and industry leaders, in partnership with the Race to Zero initiative. Its aim is for companies to set science-based emission reduction targets that follow the 1.5°C pathway.

The fashion industry charter for climate action

We are signatories of the Fashion Industry Charter fostered by United Nations Climate Change. In 2021 we took part in the review of this partnership's decarbonisation targets to make them more ambitious and consistent with the latest scientific evidence. The new goals were unveiled at COP26 in Glasgow.

Uniting business and governments to recover better by the United Nations

Declaration signed by more than 150 companies that collaborate with SBTi, including Inditex, to urge governments worldwide to align their recovery efforts to combat the crisis caused by covid-19 and work on economic aid in relation to the latest climate science.

Partnership for sustainable economic recovery (*Alianza por una recuperación económica sostenible*)

Promoted by *Ecodes* and *Grupo Español de Crecimiento Verde*, among others, the objective of this partnership is to defend the effectiveness of stimulus policies from an economic and social point of view, and their alignment with sustainability and biodiversity policies.

The Fashion Pact

Inditex is a founding member of The Fashion Pact, an agreement between leading textile and fashion companies to promote environmental sustainability in the sector. Its main lines of action are aimed at stopping climate change, caring for the oceans and conserving biodiversity.

Carbon disclosure project (CDP)

We are participants in CDP, a non-profit organisation that created a global environmental impact disclosure system for investors, companies, cities, states and regions. In 2021, Inditex obtained a score of A- in its climate change programme.

Sustainable Apparel Coalition (SAC)

We are active members of the SAC, a coalition of stakeholders in the textile industry with the goal of developing common sustainability tools that evaluate the performance of brands, retailers, manufacturers and products. Driven by our involvement in the SAC, we are also working with The Policy Hub to accelerate the circular transformation of the sector.

MIT Climate and Sustainability Consortium (MCSC)

The MIT Climate & Sustainability Consortium (MCSC) brings together global leaders from vari-

ous industrial sectors to accelerate the necessary transition to reduce greenhouse gas emissions and use resources sustainably. The MCSC is fuelled by a range of perspectives regarding the climate, sustainability and climate justice. This unlocks new opportunities for collaboration that extend and broaden MIT’s current endeavours, while empowering the industry to adapt and thrive in a decarbonised economy and world.

In 2021, within the framework of the MCSC, a number of opportunities for concerted action by members were identified through a series of workshops. As a result, the following key areas for collaboration were established: decarbonising freight transport, improving value chain resilience, reducing carbon capture risk, enhancing natural carbon sinks and boosting materials’ circularity, along with two cross-cutting topics, namely data availability and the social dimensions of climate and sustainability solutions.

There was also significant engagement by the MIT community through the Consortium, harnessing MCSC financing in MIT’s Undergraduate Research Opportunities Program (UROP). In November 2021, the first annual MCSC symposium was held at MIT and online, using a hybrid formula. This was a chance to involve the MIT community, MCSC member companies and other enterprises in the Consortium’s work. In the future, the Consortium will continue to work on the initial key themes, as well as organising workshops and events and improving educational opportunities.

[More information in section 4.4.2. Partnerships of this Report.](#)

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 also throughout our value chain.

5.6.1. Our approach to decarbonisation and energy management

GRI 103-2; 103-3; 302-1; 302-2; 302-3; 302-4; 302-5; 305-1; 305-2; 305-3; 305-4; 305-5; 305-6; AF5; AF21; 308-2 AND 304-2

2021 MILESTONE

In 2021, **91%** of energy consumption at our own facilities (headquarters, logistics centres, factories and stores) came from renewable sources.

In order to progress towards our decarbonisation commitments, we are implementing actions based on reducing emissions, including increased efficiency in

energy and resource use, as well as a strong drive for the use of renewable energies.

In the long term, focusing on our goal to be **net-zero emissions by 2040**, we are taking a holistic approach that includes improvements throughout our entire value chain, from our headquarters and stores, to the design of our products and their use and end of life.

In 2021, this commitment materialised in the form of progress in two areas of action that we consider to be key: reducing greenhouse gas emissions and increasing the use of renewable energy.

Inditex's Global Energy Strategy constitutes one of the main pillars of our commitment to sustainability and decarbonisation. Its purpose is to promote the rational and efficient use of energy throughout the value chain. At the same time, we propose to reduce greenhouse gas emissions and help mitigate their effects.

DECARBONISATION AND ENERGY MANAGEMENT



Internal framework



Global Energy Strategy

- One of the cornerstones of the corporate commitment to environmental sustainability.
- It seeks to foster the rational and efficient use of energy throughout the entire value chain, so as to reduce GHG emissions and mitigate the risks associated with climate change.



Monitoring of consumption and associated emissions

- ✓ Monitoring of energy consumption (electricity, natural gas, gas oil, etc.) and the associated emissions at corporate headquarters, own factories, logistics centres and own stores.
- ✓ Downward trend in consumption in absolute and relative terms.



Sustainable consumption alternative

- ✓ Strong commitment to renewable energies, through the generation and purchase of energy from renewable sources.
- ✓ Upward trend in the percentage of energy from renewable sources.
- ✓ Generation of renewable energy through solar photovoltaic panels, wind, geothermal and solar thermal sources.



Energy management initiatives

- ✓ Internal corporate framework: Environmental Management System and Risk Management and Control Policy.
- ✓ Efficiency and certifications in own logistics centres, own factories and headquarters.
- ✓ Efficiency in points of sale.
- ✓ Efficiency in transport and distribution.
- ✓ Efficiency in raw materials and production processes.

5.6.1.1. Energy consumption

Global energy consumption, including our headquarters, own factories, own logistics centres and own stores consumption in 2021 amounted to 1,756,210 MWh^{82 83}. This represents a decrease of 14% in relative energy consumption per square meter compared to 2018, emphasizing the energy efficiency efforts promoted by the Group.

Global energy consumption⁸⁴

Year	Global energy consumption (MWh)	Relative energy consumption (kWh/m ²)	Relative energy consumption (Wh/€)
2018	1,969,127	262	75
2019	1,892,947	237	67
2020	1,270,704	165	62
2021	1,756,210	225	63

Global energy consumption by type (MWh):

Year	Electricity	Natural Gas	Other fuels
2018	1,865,074	103,724	329
2019	1,807,556	84,627	764
2020	1,206,543	63,905	256
2021	1,678,957	72,050	5,203

5.6.1.2. Strong commitment to renewable energies

The generation and acquisition of energy from renewable sources is a core pillar of the architecture of our business model. To maintain and strengthen this commitment to the use of clean energy, at the last Annual General Meeting, Inditex announced the commitment to **use only energy from renewable sources** in all our facilities in 2022. In 2021, we have made progress in this goal and our renewable energy use now accounts for **91%** of the total, compared with 81% in the previous year.

Within the framework of our commitment, among other measures we have invested in generating renewable energy at our own operating centres.

Where technically viable, we use our own solar thermal, solar photovoltaic or wind energy, as well as facilities to harness geothermal energy.

In 2021, we consumed 1,593,547 MWh of renewable energy in our own facilities located in 44 markets, excluding which has been self-generated. As a result, we avoided **493,723 tonnes⁸⁵** of greenhouse gas emissions, an 113% more than in 2018 (978,266 MWh consumed and 265,041 tonnes of GHG emissions avoided, 1,144,020 MWh and 295,566 tonnes, and 837,626 MWh and 231,818 tonnes in 2020, 2019 and 2018, respectively).

82. The electricity consumption in stores has been calculated on the basis of actual billing data. For those stores or time periods for which we do not have information available, it has been estimated considering average consumption.

83. This indicator includes all energy consumed at our Group's own factories, headquarters, own logistics centres, own stores and own vehicles. Electricity and natural gas consumption for December 2021 and January 2022 has been estimated for some centres.

84. This indicator includes all energy consumed at our Group's own factories, own headquarters, logistics centres, own stores and own vehicles. Electricity and natural gas consumption for December 2021 and January 2022 has been estimated for some centres.

85. Due to the updating of the emission factors, the historical scope 1 and 2 data have been recalculated using the factors of the International Energy Agency, 2021 (scope 2) and the DEFRA factors, 2021 (scope 1). More information on the methodology in section 6.1.3. *Indicators for managing the environmental impact of this Report*.

Percentage of energy coming from renewable sources⁸⁶

Year	% of energy coming from renewable sources
2018	45%
2019	63%
2020	81%
2021	91%

At year-end, we have several active plants with photovoltaic panels and a wind turbine that generated 5,920 MWh of electricity (1,373 MWh, 811 MWh and 575 MWh in 2020, 2019 and 2018), i.e. 331% more than in 2020, and with the following installed capacities: 3 MW in Lelystad, 1 MW in the employee car park at our Arteixo Central Services facilities, 850 kW windmill in Arteixo Central Services facilities, 100 kW in the Arteixo Technology Building, 200 kW for the headquarters of Zara.com and Zara Man 30 kW in Tempe 1 centre, 200 kW in Tempe 3 centre, 200 kW in the Tempe 3S centre and 100 kW in the Laracha fabric warehouse.

At some of our facilities we also have a co-generation plant, which enable the simultaneous production of heat and energy using low-carbon fuel. In 2021, these plants generated 8,852 MWh of electricity and 10,051 MWh of thermal energy (4,334 MWh of electricity and 6,679 MWh of thermal energy, 7,785 MWh of electricity and 11,002 MWh of thermal energy and 17,317 MWh of electricity and 16,634 MWh of thermal energy in 2020, 2019 and 2018, respectively). In addition, 653 MWh of thermal energy was generated by geothermal facilities and solar panels during the year (633 MWh, 577 MWh and 329 MWh in 2020, 2019 and 2018, respectively).



86. In the case of renewable energy certificates, the period for the data is the calendar year, instead of the fiscal year (period of this statement).

5.6.1.3. Greenhouse gas emissions

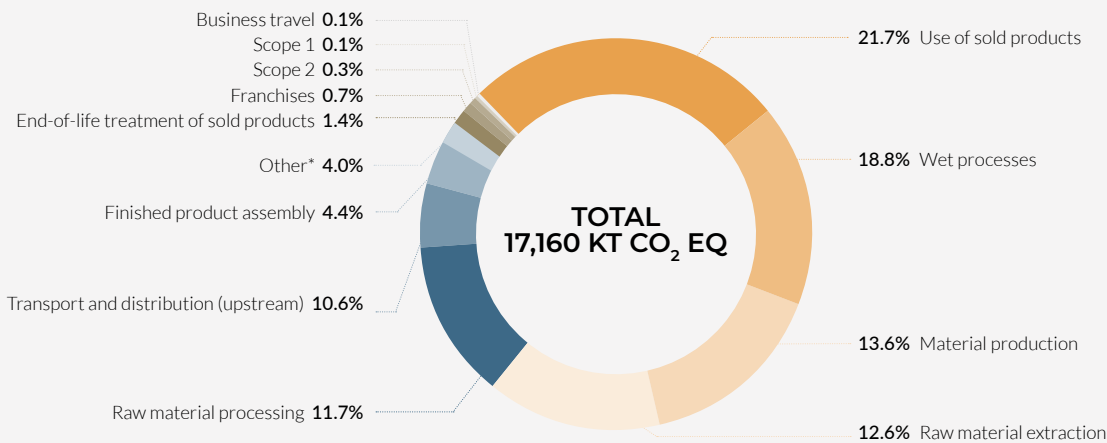
As a result of the progress made in energy efficiency and the use of renewable energies, we achieved a

reduction of **86%** per square meter in Scope 1 and 2 emissions compared to 2018.

Scope 1 and 2 GHG emissions (tnCO₂eq):⁸⁷

Financial year	Scope 1	Scope 2 ⁸⁸	Kg CO ₂ eq per m ²	gr CO ₂ eq per €
2018	19,172	419,448	58	17
2019	15,804	293,981	39	11
2020	11,859	98,676	14	5
2021	14,575	47,770	8	2

GREENHOUSE GAS (GHG) EMISSIONS



* The "Other" category includes GHG emissions associated with the categories of capital goods, employee commuting, fuel and energy related activities, and waste generated in own operations.

Scope 1 emissions: direct emissions related to sources under the direct control of the Inditex Group (combustion in boilers, own vehicles, etc.).

Scope 2 emissions: indirect emissions related to the generation of electricity acquired and consumed.

Scope 3 emissions: include other indirect emissions linked to the supply chain of goods and services produced, distributed and marketed outside the organisation. For greater transparency, the "Purchased goods and services" category (according to the GHG Protocol) is subdivided into the following categories: raw material extraction, raw material processing, material production, wet processes and final product assembly.

Scope 3 also includes emissions linked to the transportation of the products we market. In 2021, the emissions associated with Upstream Inbound transport and Upstream Outbound transport were equivalent to an energy consumption of 3,357,983 MWh and 3,953,264 MWh, respectively (2,802,639 MWh and 3,218,377 MWh in 2020; 3,431,069 MWh and 4,306,576 MWh in 2019, respectively). Electricity consumption in franchised stores amounted to 242,439 MWh and business travel consumption was 63,839 MWh (150,114 MWh and 18,488 MWh in 2020 and 226,520 MWh and 218,274 MWh in 2019, respectively). Comparison with figures for 2020 is strongly affected by the closure of our stores and headquarters in that year and the increase in remote working as a result of the covid-19.

More information in section 6.1.3. Environmental impact management indicators of this Report.

87. Due to updates of the emission factors, the historical scopes 1 and 2 data have been recalculated using the emission factors of the International Energy Agency, 2021 (scope 2) and the DEFRA factors, 2021 (scope 1). More information on the methodology in section 6.1.3. Indicators for managing the environmental impact of this Report.
 88. 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 on the location-based scope 2 emissions following the GHG Protocol guidance in section 5.10.4. Climate change: risks and opportunities of this Report.

5.6.1.4. Energy Management

a. Environmental Management System

Efficiency is a priority at all the Group's facilities. Our Environmental Management System (EMS) is a core pillar of our commitment to using renewable energy and circular management models. Certified to ISO 14001 standard, the EMS is **implemented in 100% of the Group's headquarters, logistics centres, and own factories**. Inditex has a team of 27 people to prevent environmental risks linked to these facilities, and to monitor and assess the proper implementation of the EMS.

In 2021, 2020, 2019 and 2018, no significant penalties or fines were imposed for breaches of environmental regulations. Moreover, the Group does not have facilities in protected areas.

b. Risk Management and Control Policy

Inditex's Risk Management and Control Policy, which has been in force since 2015 and was last modified in 2020, affects the entire Group and forms the foundation of an Integrated Risk Management System. It establishes the basic principles, key factors and general framework for action to manage and control risks affecting the Group, including climate risks.

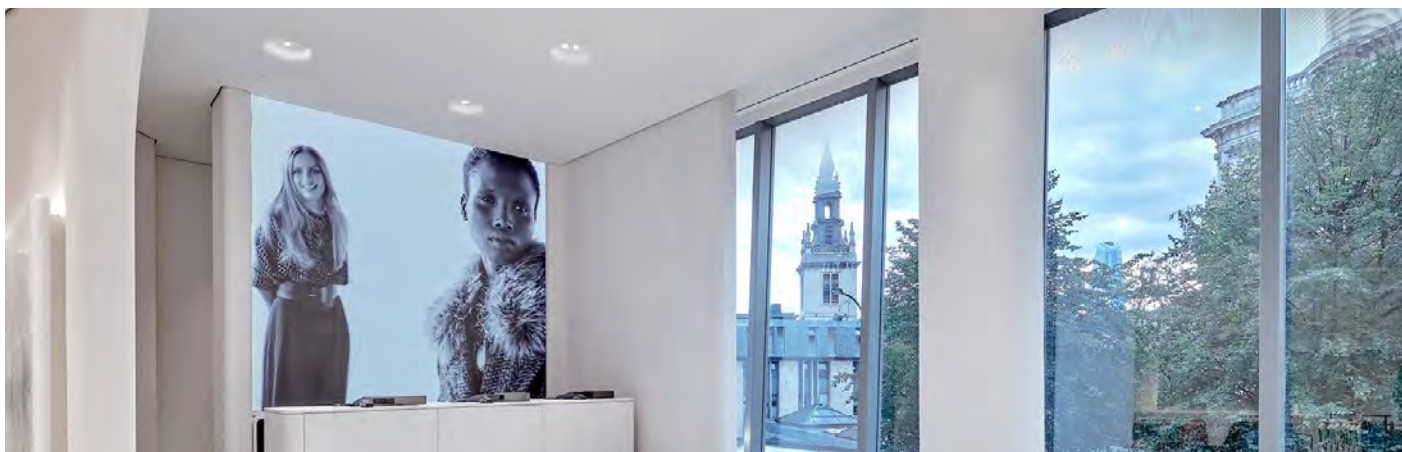
① More information on climate risk management in section 5.10.4. *Climate change: risks and opportunities of this Report*.

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.

c. Efficiency in corporate headquarters, own logistics centres and own factories

At Inditex we have a culture of environmental efficiency; in other words, we apply production processes that enable us to **control the consumption of resources** and take measures to reduce that consumption so as to mitigate the impact thereof. To ensure this is properly developed in our facilities, we make the necessary investments in all our headquarters and platforms in compliance with our Instruction for Proper Environmental Management, and we promote best practices in the day-to-day work of our employees.

The design of the construction of our headquarters is based on **bioclimatic criteria**. For example, by encouraging the installation of photovoltaic panels to optimise energy consumption and ensure they are from renewable sources, using rainwater for non-drinking purposes or having a self-regulating lighting system depending on the outdoor light conditions.



Electric energy consumption at headquarters , own logistics centres and own factories

Financial year	Total electricity consumption (MWh)	Relative electricity consumption (kWh/m ²)	Relative electricity consumption (Wh/€)
2018	159,434	50	6
2019	175,308	49	6
2020	163,897	46	8
2021	175,217	48	6

LEED Certifications⁸⁹ in distribution centres and headquarters

As part of our strong commitment to sustainability, we also strive to ensure that our facilities meet the highest standards of sustainable construction. Consequently, since 2009 we have certified our most emblematic spaces in accordance with the most prestigious standards in sustainable construction, such as the LEED certifications developed by the US Green Building Council.

One example of this policy is the certification in 2021 of our logistics connection hub in Lelystad (Netherlands). Also noteworthy is Inditex's Data Processing Centre, located at the Group's headquarters in Arteixo (A Coruña, Spain), which in addition to being LEED Platinum certified by the US Green Building Council, is also certified to the international ISO 50001 standard, which endorses its efficient and sustainable energy management. Accordingly, 100% of its energy consumption is from renewable sources.

LEED CERTIFICATION IN DISTRIBUTION CENTRES AND HEADQUARTERS

1 certification

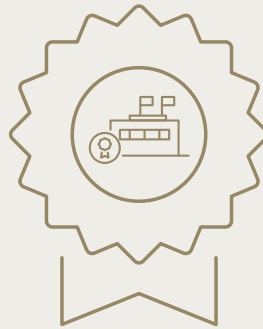
LEED Platinum

- Inditex Data Processing Centre in Arteixo

1 certification

LEED CI Certification

- Inditex Group's Central Services facilities in Arteixo (phases I, II, III)



10 certifications

LEED Gold

- 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
- Lelystad Logistics Connection Point



⁸⁹. All the certifications are currently valid.

d. Efficiency and sustainability in our stores

Energy efficiency and the application of best practices in the area of environmental sustainability is a priority for Inditex in both the design and the day-to-day running of its stores. To achieve this goal, we put in place a number of projects to help make our stores spaces in which sustainability is **fully integrated**, from the facilities themselves to the products and the interaction with our customers.

In this regard we are constantly reviewing our standards to guarantee that they are in line with cutting-edge practices and implementing new programmes to advance on the path of continuous improvement and sustainability in our stores.

One step further in our commitment to sustainability at our own stores network is the connection with the central platform *Inergy*, which supervises and optimises energy consumption, boosts efficiency and reduces the environmental impact. At the end of 2021, 66% of our own stores were connected to the platform. Estimated electricity consumption at our own stores amounted to 1,503,739 MWh in 2021, compared with 1,632,248 MWh in 2019 (the comparison with 2020 is not meaningful because of the impact of covid-19).



Electricity consumption at our stores:

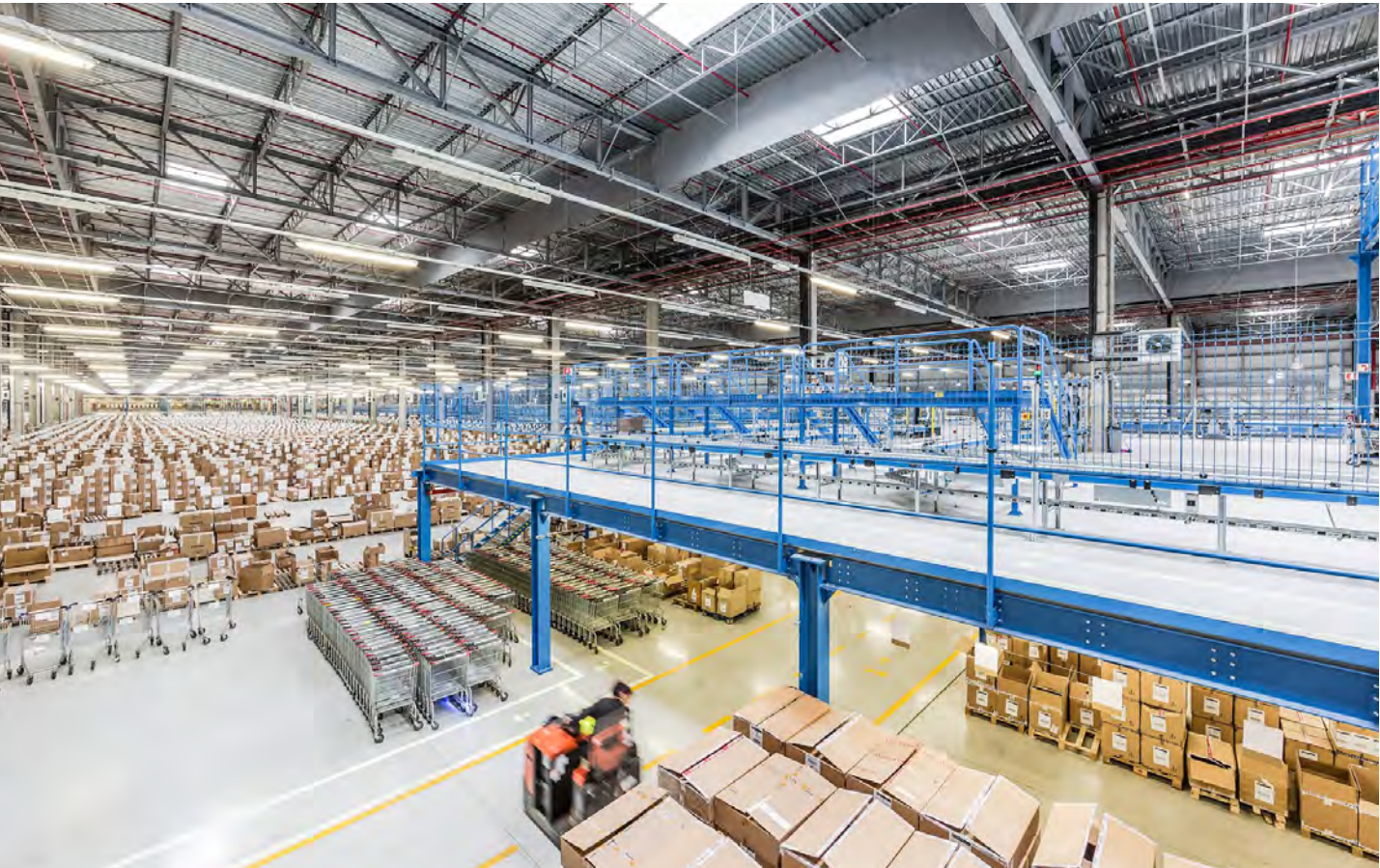
Financial year	Global electricity consumption in stores (MWh)	Relative electricity consumption in stores (kWh/m ²)	Relative electricity consumption in stores (Wh/€)
2018	1,705,639	394	65
2019	1,632,248	371	58
2020	1,042,646	252	51
2021	1,503,739	363	54

Further evidence of our commitment to sustainable construction is the certification of our stores in accordance with prestigious international standards such as LEED and BREEAM⁹⁰. We currently have 9 LEED Platinum certifications, 27 LEED Gold certifications and 1 BREEAM certification.

Moreover, technologies that increase the energy performance of our servers by using more efficient power sources and better heat dissipation systems are being used.

The efficiency policy is not limited to physical stores alone, but also extends to the digital universe. The website of Zara, our most emblematic brand, is hosted at our own data centres and on external servers, and 100% of the energy consumed in our online stores and at our Data Processing Centre and external servers is from renewable sources.

90. All the certifications are currently valid.



e. Efficiency in transport and distribution

In line with our aim to optimise the use of resources—and therefore reduce the emissions associated with all our processes— distribution is a very relevant area of our Environmental Management System, as we maintain a delivery frequency of twice a week from our logistics centres to the stores.

In this respect, in order to improve the efficiency of our distribution and logistics operations and reduce the indirect scope 3 emissions derived from them, we are working on our own improvement projects as well as on various initiatives and collaborations:

Our own projects

- **Load optimisation.** We analyse the best way to box-pack trucks by developing new protocols that optimise, review and adjust the load proposals. Furthermore, we leverage the flows along the routes servicing the European stores and avoid empty return truck runs, using these trucks for cargo returns to Spain. In 2021 4,565 trucks were counted in these return flows, saving 7.9 millions of kilometres and their associated emissions.
- **Packaging-related initiatives.** We work with other areas of the Group to optimise packaging for trans-

port and distribution, applying our Green to Pack reference standard and thus contributing to load consolidation and related emission reductions.

- **High-capacity vehicles.** By increasing the load volume of a vehicle—as is the case in giga-trailers and duo-trailers— and minimising the number of trucks on the road, we reduce CO₂ emissions. In 2021, more than 2 millions of kilometres were covered using this mode of transport.
- **Liquefied Natural Gas (LNG) trailer.** We also use high-capacity vehicles that run on Liquefied Natural Gas. In 2021, more than 449 thousand kilometres were covered using this kind of vehicle.
- **Euro VI standard.** This is the most exacting engine standard currently in force in terms of nitrogen oxide and particle emissions. In 2021, the main providers of primary land transportation (accounting for 83% of total turnover) complied with the Euro VI standard in more than 90% of their fleet.
- **Electric vehicles.** In China, last mile deliveries to all our stores are made with electric vehicles, in order to reduce greenhouse gas emissions and air pollution in cities. In Spain, we have also electrified last mile deliveries at several Madrid stores.

- **Employee commuting.** All our office employees in Spain can travel to work on the shuttle bus service. We also promote the Weshare application for carpooling to and from the workplace. These measures reduce traffic density and driving times in daily itineraries.

- **Electric vehicle charging stations.** In 2021, the number of charging stations for electric vehicles in all the Group's central services rose by 313% to facilitate the use of such vehicles by employees. More than 197,000 kWh⁹¹ were supplied from these stations (more than 71,000 kWh in 2020 and more than 47,000 kWh in 2019), helping to avoid emissions associated with using fossil fuels.

Collaborations

- **Cargo Owners for Zero Emission Vessels (CoZEV).** Since 2021 we have been involved in this international initiative led by the non-profit organisation *Aspen Institute*, within the framework of its Shipping Decarbonization Initiative (SDI), in which other major consumer goods companies take part. The aim is to accelerate the transition to zero-emissions maritime shipping vessels and to commit to using only this kind of vessel by 2040.

- **Smart Freight Centre and Global Logistics Emissions Council (GLEC).** The goal of the Smart Freight Centre, a non-profit organisation focused on sustainable freight transportation, is to achieve an efficient logistics sector with zero emissions that helps comply with the Paris Agreement and the United Nations Sustainable Development Goals. To achieve this vision, it brings together the logistics community through their **Global Logistics Emissions Council** (GLEC). The GLEC has developed a globally recognised methodology for harmonised calculation and reporting of the logistics GHG footprint across the multi-modal supply chain. Inditex has been a GLEC member since 2020.

- **Clean Cargo.** An initiative to reduce the environmental impacts of multimodal freight transportation and to foster responsible maritime shipping. Inditex adhered to this initiative in 2020 and takes part in its Clean Cargo Working Group, in which it works with other companies to adopt environmentally and socially responsible business principles in freight management. The organisation has developed a maritime shipping emissions calculation standard used by other initiatives, such as the US

Environmental Protection Agency (EPA) Smart-Way Programme and the GLEC.

f. Atmospheric emissions and noise pollution

Atmospheric emissions from combustion equipment (heating boilers and steam boilers) are subject to regular checks and verifications by authorised control bodies to ensure that our logistics centres where this equipment is located comply with the applicable legislation. Thus, we ensure that our atmospheric emissions are within the legal limits for the parameters required in each case (for example, CO, NO_x, SO₂ and opacity).

Furthermore, to mitigate noise pollution, our Unloading Equipment Protocol aims to reduce noise from the distribution and supply of our products during night-time hours, when the permitted noise levels are more restrictive.



91. Electrical consumption by electrical vehicle charging points in Group central service facilities, own logistics centres and own factories.



5.6.2. Our approach to water management

GRI 103-2; 103-3; 303-1; 303-2; 303-3; 303-4; 303-5; 308-2 AND 304-2

Reducing water usage in both our operations and our supply chain is paramount because of its potential **positive impact on the environment** and especially on marine and freshwater habitats and the communities living in them. Furthermore, reducing water consumption through more efficient management programmes and technologies implies reducing energy consumption and its associated emissions. Therefore, reducing the impact of water consumption is a goal that not only contributes to the preservation of a vital resource for the planet, but it is also key to achieving our decarbonisation targets.

OUR ROADMAP FOR SUSTAINABLE AND RATIONAL WATER USAGE

Our roadmap for sustainable and rational water usage throughout our value chain is defined by our Global Water Management Strategy. As we implement it, we develop individual initiatives and collaborate with various stakeholders to reduce our environmental impact and protect marine and freshwater habitats, always seeking the most innovative processes and technologies. Water management at Inditex is based on the principles of the CEO Water Mandate, a UN Global Compact endeavour that links environmental and social aspects.

WATER MANAGEMENT



Internal framework



Global Water Management Strategy
Roadmap that fosters collaboration among the various stakeholders with a view to sustainable and rational water management throughout our value chain.



Consumption monitoring

- ✔ Monitoring of water consumption at our headquarters, own factories, logistic centres and own stores.
- ✔ Downward trend in absolute consumption and downward/stable trend in relative consumptions.



Water management initiatives



In our own operation
Initiatives aimed at efficiency in water consumption, recovery and re-use.



In the supply chain
Collaboration with third parties to promote proper water management (wastewater analysis and improved access to drinking water and sanitation).

5.6.2.1. Consumption

Water consumption at the Inditex Group's facilities is mainly for cleaning and sanitary purposes, and therefore its discharge into municipal wastewater systems is guaranteed. In industrial settings, water is mainly used for steam generation and recirculation systems in closed-cycle industrial refrigeration, which allows us to estimate that the water discharged is equal to the water consumed. Wastewater in all facilities is discharged to the appropriate wastewater systems. At Inditex, water consumption does not affect protected habitats.

In 2021, we have consumed in our facilities –headquarters, own factories, own logistics centres and own stores consumed a total of 1,886,900 cubic metres of water. The consumption at our centres is calculated through direct metre readings and bill charges from public water utilities companies⁹².



Water consumption (m³):

Financial year	Water consumption (m ³)	Relative water consumption (litres/m ²)	Relative water consumption (ml/€)
2018	2,145,804	285	82
2019	2,068,661	260	73
2020	1,663,039	216	82
2021	1,886,900	241	68

5.6.2.2. Initiatives in own operations

To help save on water consumption, when planning new projects the Group factors in the use of **storm tanks**, which allow rainwater to be recovered from the roof and used for irrigation. In 2021, we recovered 10,439 m³ of water at our centres in Cerdanyola, Arteixo and Lelystad.

Our Indipunt facility in Narón (A Coruña) is particularly noteworthy as it harnesses advanced technology to reuse 100% of the water for garden irrigation and toilet flushing, thereby achieving significant savings in consumption. This was the first water recovery project of its kind approved in Galicia and was subject to stringent controls by the Public Administration.

5.6.2.3. Initiatives in supply chain

Our supply chain is key to our policy of responsible management of water use, as it is applied in the wet processes necessary for the manufacture of textile products (washing, dyeing and printing), as well as in the cultivation of the various raw materials we use. Consequently, in 2021 the Group established as a new environmental goal a **25% reduction in water consumption** throughout the supply chain by 2025.

We are working on various initiatives to achieve this goal:

- Increasing the facilities included in the Care for Water programme to reduce water usage and, at

92. 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 concept.

the same time, cut energy consumption as less water needs to be heated.

- Promote raw material cultivation practices that reduce water consumption.
- Draft a guide to best practices to reduce water consumption for our suppliers.
- Collaborate with external initiatives.

① More information in section 5.4. *Collaborating to transform through sustainable management of our products of this Report.*

a. Care for Water

Our Care for Water programme, framed within the Green to Wear standard, fosters the use of technologies to achieve efficient water consumption by means of the continuous improvement of the production processes of our suppliers and investment in technology.

① More information in section 5.5.1. *Sustainable management of the supply chain of this Report.*

Care for Water Improvement Programme

As part of our commitment to reduce our water footprint, one of the key programmes rolled out in 2021 is the Care for Water Improvement Programme. This initiative is aimed at providing support to facilities to optimise and reduce their water demand and obtain our highest score for their water management and use (Excellent Water Management) in Green to Wear audits. This year we have worked together with more than 170 facilities within the framework of this programme, providing them support, guidance and advice.

The programme has a 12-month duration for factories, starting with a 30-day period for facilities to create and propose their own action plan for water efficiency improvement, which can be designed around four pillars:

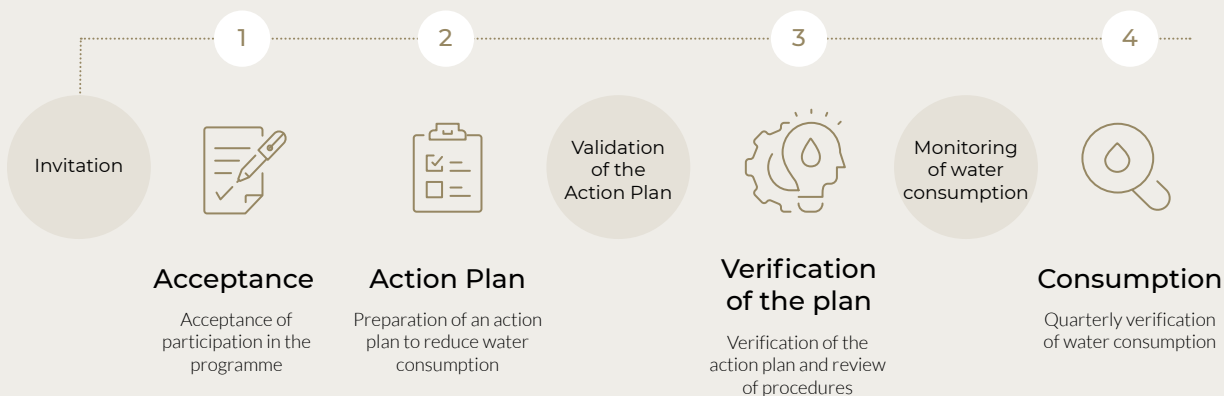
- Investment in new technology or machinery.
- Production process optimisation.
- Recovery and treatment of waste water for re-purposing in manufacturing processes.
- Zero Liquid Discharge: using 100% closed water circuits.

The action plan must in turn be structured around quarterly targets, compliance with which will be verified by a third party at the end of each quarter.

b. Collaboration in China

Inditex works with the Chinese Institute of Public and Environmental Affairs (IPE) on the continuous improvement of environmental management in our supply chain in that market. The IPE publishes the results of factories' wastewater analyses and has acknowledged Inditex's endeavours to improve the environmental performance of its supply chain. In its global ranking of brands, Inditex ranks fourth in the textile sector (fifth globally). In addition to textile facilities, the IPE oversees upstream chemical suppliers and centralised effluent treatment plants.

CFW IMPROVEMENT PROGRAMME



c. Other partnerships

We do not only take into account industrial water usage. Mindful of its importance to the health and prosperity of local communities, since 2015 we have been collaborating with Water.org, an international charitable organisation that works to bring water and sanitation to vulnerable populations through microloans.

① More information in section 4.4.2. *Partnerships of this Report.*

5.6.3. Our approach to biodiversity

GRI 103-2; 103-3; 308-2 AND 304-2

2021 MILESTONE

Inditex joins the LEAF Coalition.

This global initiative, which brings together companies and governments, aims to mobilise more than 1 billion dollars in funding for the conservation of tropical and subtropical forests.

The protection of biodiversity is pivotal to our sustainability strategy, not only because the production of our raw materials for textile manufacturing (cotton, fibres and cellulosic materials, leather, etc.) depends on it, but also because it is, first and foremost, a critical element for the survival and well-being of society and the planet.

In this regard, at Inditex we are committed to protecting biodiversity through the **responsible and sustainable management of natural resources** at every stage of our value chain. Our Biodiversity Strategy is based on the principles of the United Nations Convention on Biological Diversity and takes the form of actions to promote the transition to more sustainable raw materials and products, the preservation of aquatic and terrestrial ecosystems, stopping climate change and collaboration with like-minded organisations.

Sustainable materials and animal welfare

A large portion of the materials we use depend on biodiversity and essential elements such as proper nutrient cycles, water purification and crop pollination. In addition, it is necessary to reduce the impact of man-made fibres on different ecosystems. Accordingly, we carry out a number of initiatives to ensure the protection of biodiversity associated with the materials we use in our products.

① More information in section 5.4.2. *Design and selection of materials of this Report.*

BIODIVERSITY MANAGEMENT



Internal framework



Biodiversity Strategy

The aim is to foster the protection, conservation and development of biodiversity throughout Inditex's value chain and beyond.



Forest Product Policy

Guide for the selection and use of forest-sourced materials, guaranteeing that they come from sustainably managed forests.



Outstanding biodiversity initiatives



Animal welfare

- ✓ Animal welfare policy which includes ethical standards in the use of animal-based products.
- ✓ Commitments to entities such as PETA or the *Fur Free Alliance*.

Our biodiversity protection strategy also covers animal welfare and we have therefore put in place an Animal Welfare Policy that includes ethical standards in the use of animal products in accordance with the Five Freedoms of Animal Welfare for the ethical and responsible treatment of animals. The Policy was developed in partnership with the Humane Society of the United States (HSUS). Within this framework, we have adopted a **range of standards and commitments:**

- All animal-based components in articles marketed by our brands must be sourced from animals that have been treated ethically and responsibly.
- None of our products of animal origin may come from species bred exclusively for the purpose of marketing their hides, shells, antlers, bones, feathers, down or other similar elements.
- None of our brands market fur. Thus, we are strictly compliant with the requirements of the Fur Free Retailer programme by the Fur Free Alliance, an international coalition of animal protection organisations.

- None of our garments contain angora wool or mohair, consistent with our commitment to People for the Ethical Treatment of Animals organisation.

With regard to the use of other materials, all the timber used to produce furniture and objects, as well as paper products, must be certified under PEFC/FSC standards, as stipulated in our Forest Product Policy.

Alliances and partnerships

We advocate joint efforts and cooperation to protect and regenerate biodiversity through a range of **different agreements:**

Multi-sector initiatives

In 2021 we joined the LEAF coalition, a public-private financing initiative coordinated by Emergent with the aim of stopping deforestation in tropical and sub-tropical forests, and of supporting sustainable development in countries where these forests are located. Only those companies like Inditex that have

LEAF COALITION

GOALS



1 billion dollars

Mobilising at least **1 billion dollars** in financing to fight against deforestation



- ✓ Seeking large-scale impact. Bringing governments on board
- ✓ Solid social protection for communities
- ✓ Increased ambition. Private sector involvement
- ✓ Mobilising and catalysing private financing
- ✓ Results-based financing



Measuring the return on investment using the REDD+ Environmental Excellence Standard (TREES)



Membership requirements for companies: Approved science-based decarbonisation targets (SBTs)

Inditex membership: November 2021

decarbonisation targets approved by the SBTi are eligible to join the coalition.

Projects in the fashion and textile sector

In addition to being founding members of The Fashion Pact, one of whose core activities is the protection of biodiversity, we are also founding partners of Organic Cotton Accelerator, which aims to increase the availability of organic cotton. We also collaborate with CanopyStyle, which seeks to sever the links between viscose production and deforestation in primary forests, and with Textile Exchange, which helps the industry to identify areas for improvement and best practices with a view to integrating biodiversity into strategies and operations. This organisation launched the first pilot of the biodiversity benchmark in 2021, with Inditex's involvement.

① More information in section 5.4.2. *Design and selection of materials of this Report.*

Local actions

Since 2020 Inditex has been working with the *Asociación Forestal de Galicia* (Galician Forestry Association) to restore forestry areas. In the last year, more than 650 hectares were replanted, an area the size of more than 910 football pitches. A variety of conifers and hardwoods were planted, prioritising native species to protect the biodiversity of the area. Among the species most planted were the native pine, with more than 650,000 trees planted, and the chestnut, with more than 22,000.

This project optimises the capacity to absorb CO₂, enriches soils and prevents soil erosion and recovers the mobility of the forest fauna, among many other benefits.

This year, a new agreement was signed to expand this work model to more territories, incorporating representative areas of the main forest ecosystems in Galicia and Portugal.

For this purpose, it is proposed to set up a network of demonstration forests that will function as reference sites to disseminate techniques and knowledge, as well as to implement sustainable procedures for resource management and the conservation of environmental values that can be replicated by forest owners. This therefore manages to combine their role as natural greenhouse gas sinks with the use of quality forest products, seeking to promote the economic, environmental and social sustainability of these areas.

As well as protecting the environment and natural resources, this project aims to contribute to a better appreciation of the forest and its related activities, encouraging a more active engagement in the conservation and improvement of forest resources in Galicia and Portugal.

Activities carried out in Pico Sacro

- Informative sessions on forestry and environmental management models.
- Pruning of chestnut, walnut and American oak trees for timber production and of young chestnut tree trunks for fruit production.
- Clearing and weeding all the planting surface to remove the competing plants.
- Replacement of worn plant protectors.
- Maintenance tasks and replacing native dead plants in environmental conservation areas.

Trees planted

Hardwoods (total)	44,389
Birch	9,418
Chestnut	22,237
Oak	11,938
Other	796
Conifers (total)	679,938

We continue to work to make Pico Sacro demonstration forest a biological carbon sink model, as well as a forestry dissemination laboratory. This initiative is carried out in collaboration with the *Asociación Forestal de Galicia* and the Forest Stewardship Council (FSC).

5.6.4. Our approach to waste

GRI 306-1; 306-2; 306-3; 306-4; 306-5; 308-2 AND 304-2

The end-of-life of our products is a decisive phase in our Sustainability Policy. Consequently, we have in place a number of projects to **reduce the environmental impact after their use**, so that we can facilitate their recycling when they are no longer used, re-use constituent parts, facilitate disassembly and, increasingly, share best practices with consumers.

Zero Waste Programme

The Zero Waste programme, designed to recover the waste generated at our own facilities, is the key to helping us meet our commitment that by 2023 the waste generated at our own facilities – whether at headquarters, logistics centres, factories or stores – will not end up in landfill.

A central aspect of the programme is the proper sorting of waste at our facilities, enabling it to be **transformed and re-purposed** to manufacture new products. In this regard, we have developed internal devices to optimise the separation and compacting of waste, thereby reducing greenhouse gas emissions associated with their transport, and to improve ergonomics during operations.

Moreover, within the framework of the Zero Waste programme, we are working to improve the management and information relating to waste collection systems at our stores.

Generation of waste

Below are the absolute figures for waste generation at headquarters, own logistics centres and own factories (store data are not included⁹³):



Type of waste

	2021 (KG)	2021 (%)	2020 (KG)	2020 (%)	2019 (KG)	2019 (%)
Cardboard and Paper	13,248,191	65%	10,974,962	59%	14,662,698	63%
Wood	2,982,115	15%	3,438,309	19%	3,769,554	16%
Other non-hazardous resources	2,891,811	14%	2,771,796	15%	3,182,099	14%
Plastic	831,837	4%	863,627	5%	892,516	4%
Textile waste	252,831	1%	302,785	2%	498,217	2%
Metal	159,204	1%	67,747	0%	267,715	1%
Hazardous waste	31,428	0%	58,813	0%	78,479	0%
Total	20,397,417	100%	18,478,038	100%	23,351,279	100%

93. Information on waste generated in own stores is not available at the required level of breakdown in the Company's systems. Inditex has several projects underway with a view to reporting this information in future years.

The destination of this waste was as follows, according to its treatment⁹⁴

Non-hazardous waste destination	2021 (KG)	2021 (%)
Diverted from disposal	18,691,531	92%
Recycling	18,256,653	90%
Preparation for reuse	434,878	2%
Directed to disposal	1,674,458	8%
Landfilling	1,343,862	6%
Incineration (with energy recovery)	330,596	2%
Total	20,365,989	100%

Non-hazardous waste destination	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 destination	2021 (KG)	2021 (%)
Diverted from disposal	25,229	80%
Recycling	25,229	80%
Directed to disposal	6,199	20%
Landfilling	4,864	16%
Other disposal operations	400	1%
Incineration (with energy recovery)	935	3%
Total	31,428	100%

Hazardous waste destination	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%

In addition, and associated with our activity, various packaging materials (bags, labels and protective elements) are placed on the market. These materials are managed by the Integrated Packaging Management Systems available in the markets where we operate. In Spain, for example this system is Ecoembes. Our brands compensate this authorised manager for the cost of collecting and managing these packagings. We have our own programme, Green to Pack, for the optimisation of packaging, extending their useful life and enhancing their recyclability

[More information in section 5.4.5. Use and end-of-life of products of this Report.](#)

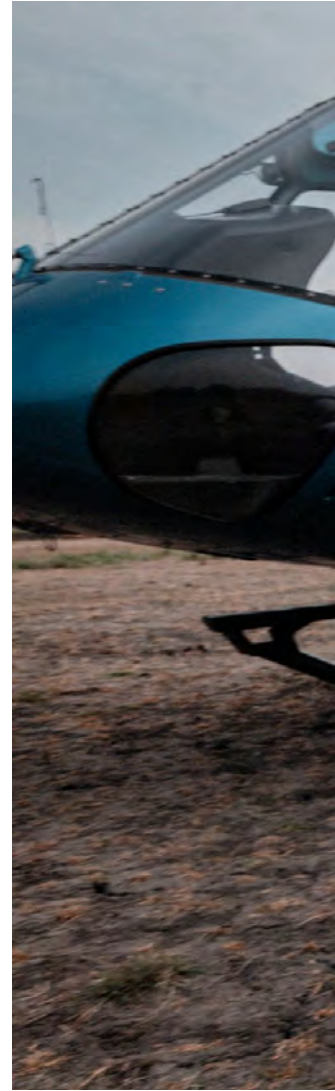
Our waste reduction policy also covers the canteen service at our headquarters in Arteixo (A Coruña). Actions such as the use of cups, glasses and glass bottles (to avoid single-use plastics) and the rigorous separation of food leftovers help us to better manage waste while helping to reduce food wastage at our headquarters.

94. With the update of the GRI 306 (2020) standard, there is a change on the requirements of the breakdown of waste destination with respect to previous requirements set in the GRI 306 (2016) standard. Due to the change, historical data is only available with the previously required breakdown.

5.7.

Collaborating to generate value in the community

Related material topics: Stakeholder engagement; Value creation.



Our mission goes beyond the purely economic aspect to add value and contribute to social development. At Inditex, we implement a number of initiatives and participate in various projects in order to respond to that social commitment.

Collaboration on this front is crucial to generate value in the various communities. The performance of the various programmes is assessed by measuring inputs, achievements and impacts.

Our Company's investment in the community aims to contribute to the development of society, especially in the geographic areas where we operate. The initiatives we promote fulfil the following principles:

- They are **voluntary**, since there is no kind of legal obligation for their implementation.
- **They are charitable** and/or they target social and/or environmental benefit, since the beneficiary organisations we work with tend to share this characteristic⁹⁵.

In the Group we understand Corporate Community Investment (CCI) as an opportunity to contribute to the United Nations 2030 Agenda for Sustainable Development through our engagement, either through our business resources (in cash or in-kind), or in terms of time of the employees that make up our staff.



FOR MORE INFORMATION

on our initiatives in connection with community investment, see the *Community investment report 2021*, available at Inditex corporate website.

95. Nevertheless, they may also sometimes involve inputs that benefit entities that are not always non-profit organisations. In those cases, they always involve a social welfare purpose.



Inditex’s Corporate Citizenship Policy (available on our website) guides our community investment strategy. In this regard, Inditex’s community investment is carried out primarily through our engagement with specific projects. Generally speaking, we prioritise long-term strategic projects for specific activities, together with non-profit organisations, always subject to a thorough monitoring and accountability process, rather than occasional contributions for the general purposes of these organisations. Moreover, we subject the social initiatives in which we are involved to a rigorous process of measuring inputs, achievements and impacts. To do this, we follow the measurement methodology of Business for Societal Impact (B4SI), formerly known as LBG, based on:

- Careful assignment of inputs in the community.
- Measuring achievements.
- Evaluating the impact of the different components of the project, in order to assess both the benefit and the programme as a whole.

In 2021, we have continued to strengthen the link between our community investment model and the United Nations Sustainable Development Goals. This commitment is embodied in specific projects which address the following issues:

- **Education**, understanding as such proceedings focused on providing opportunities through quality education which gives young people the opportunity of a decent life and encourages social justice and their personal growth;
- **Social welfare**, referring to all initiatives which encourage employment and entrepreneurship of vulnerable groups, encouraging labour integration of people at risk of social exclusion; and
- **Emergency Relief**, meaning all relief actions focusing on protecting life, health and wellness of people in emergency situations on account of natural disaster or similar circumstances


FOR MORE INFORMATION
 on our Corporate Citizenship Policy.



2021 MILESTONE

The Group has renewed its agreements with *Médecins Sans Frontières*, *Medicus Mundi* and *Entreculturas*, organisations it regularly works with.

The main specific examples of these three lines of action in 2021 were as follows:

- Strengthening regular collaboration in development cooperation and emergency relief by signing new agreements with organisations such as *Medicus Mundi*, *Entreculturas* and *Médecins Sans Frontières*.
- Executing cooperation initiatives within the framework of the strategic partnerships between Inditex and entities such as *Water.org*, *Every Mother Counts*, *Entreculturas* and *Cáritas*, among others.
- Encouraging contributions in kind of articles from our collections for social causes; especially through our partnership with UNHCR.
- The launch of new commercial initiatives in the community, such as the solidarity Zara Tribute collection to help the Franca Sozzani Fund for Preventive Genomics, or the renewal and expansion of the Massimo Dutti for&from Allariz, in collaboration with the Galician Confederation of People with Disabilities (COGAMI), among others.
- The launch of new academic and educational projects, such as those launched with Fudan University to support the MBA Spain Immersion Program of School of Management; or the Inditex Scholarship and Teaching Fund in collaboration with Huazhong University of Science and Technology.
- The performance of education and research initiatives within the framework of the partnerships established between Inditex and universities such as Tsinghua University, Massachusetts Institute of Technology (MIT), University of A Coruña, University of Santiago de Compostela or Comillas Pontifical University.
- The activation of extraordinary emergency programmes such as those developed with the Red Cross in India as a result of the covid-19 pandemic, and in Spain on the back of the volcano eruption in La Palma; as well as the project launch alongside the China Women Development Foundation and the China Environmental Protection Foundation as a result of the severe flooding in Henan in July 2021.

CORPORATE COMMUNITY INVESTMENT 2021

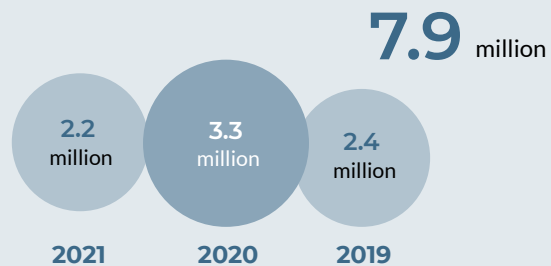
OUR TARGET

Our goal is to help six million people between 2019 and 2022 through our corporate community investment programme



PROGRESS

People helped through our social initiatives



In total, this year we have launched **725 social initiatives** that have directly benefited more than **2.2 million people**. Our annual community investment exceeded **63.5 million euros** and has focused on those sustainable development goals most closely related to our activity.



2.2

MILLION PEOPLE

benefited by the 725 social initiatives launched in 2021.



Since 2019 we have benefited a total of 7.9 million people with our community investment programs, thus achieving a year earlier and exceeding our goal of benefiting 6 million people established for the 2019-2022 period. In this same period we have invested a total of 184.5 million euros in social programs.

Corporate Community Investment 2021*

Impacts What changes?

IMPACT ON PEOPLE (DEPTH)***

- 9%** connection
- 65%** improvement
- 26%** transformation

IMPACT ON COMMUNITY ORGANIZATIONS*****

- 100%** improved or new services
- 96%** improved management processes
- 86%** taken on more staff or volunteers
- 87%** increased their profile

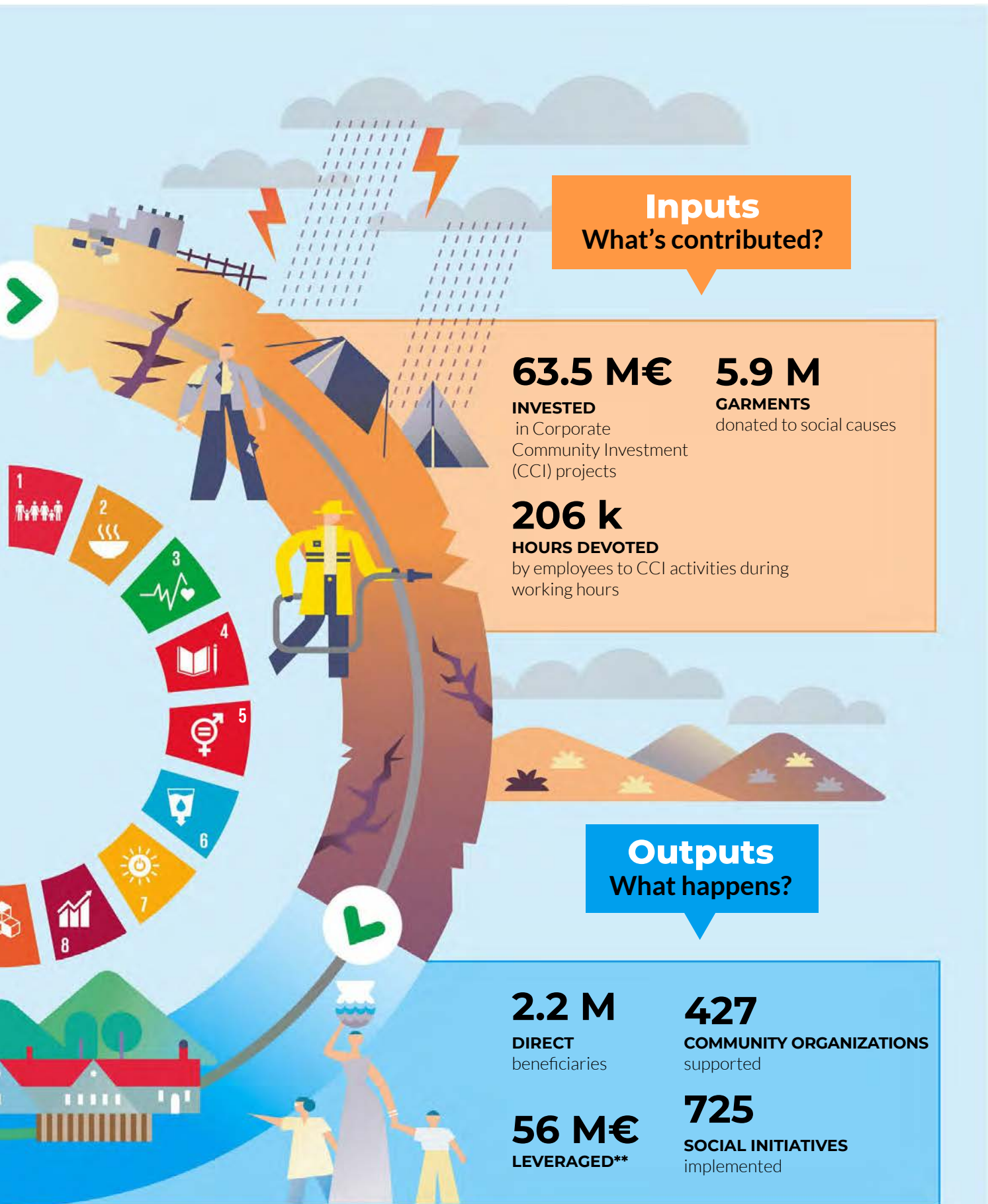
IMPACT ON PEOPLE (TYPE)****

- 22%** behaviour or attitude change
- 1%** skills or personal effectiveness
- 93%** quality-of-life or well-being

IMPACT ON EMPLOYEE PARTICIPANTS*****

- 98%** improved job-related skills
- 100%** improved personal well-being
- 100%** changed their behaviour

(*) Data calculated in accordance with B4SI methodology based on voluntary expenditure by Inditex on Corporate Community Investment projects during the FY2021. The average exchange rate of FY2021 was used to convert contributions into euros. (**) 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 2,184,117 direct beneficiaries (****) Impact assessment carried out on 230 community organisations supported by Inditex, on 71 long-term strategic projects. (*****) Impact assessment carried out on 100 employees volunteering in 9 countries.



Inputs What's contributed?

63.5 M€
INVESTED
 in Corporate
 Community Investment
 (CCI) projects

5.9 M
GARMENTS
 donated to social causes

206 k
HOURS DEVOTED
 by employees to CCI activities during
 working hours

Outputs What happens?

2.2 M
DIRECT
 beneficiaries

427
COMMUNITY ORGANIZATIONS
 supported

56 M€
LEVERAGED**

725
SOCIAL INITIATIVES
 implemented

Corporate Community Investment 2021

29%

increase in Corporate Community Investment (CCI) compared to 2019

INCREASE IN INVESTMENT

Compared to the years prior to the pandemic, we have significantly increased our Corporate Community Investment (CCI), reaching **63.5 million euros**.

COLLABORATION BEYOND CASH CONTRIBUTIONS



61%

increase garments donated to social causes compared to 2020



16%

increase time contributions by employees compared to 2020

We have boosted in-kind contributions, exceeding **5.8 million items donated** in 2021, as well as time contributions from employees during working hours, which have exceeded **200,000 annual hours** for the first time.

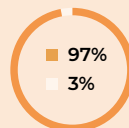
97%

contributions driven by strategic investment

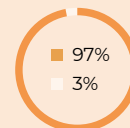
MAXIMISING THE EFFECTIVENESS OF CONTRIBUTIONS

By adopting a strategic approach, we maximise the effectiveness and impact of our social programmes

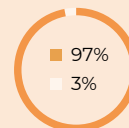
FOCUS ON STRATEGIC COMMUNITY PROJECTS



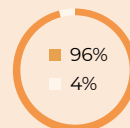
2021



2020



2019



2018

■ Strategic investment ■ Charitable gifts

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.

88%

of CCI focused in 6 SDG's

79%

of CCI focused in 3 priority issues

ALIGNMENT WITH SDG'S AND COMPANY'S BUSINESS DRIVERS

WE FOCUS OUR INVESTMENT TO INCREASE IMPACT

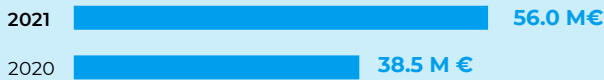
SDGs

88% of CCI is focused on social initiatives with SDGs 3, 4, 5, 8, 10 and 12 as their main objective

Issue addressed

79% of CCI aimed at strengthening the priority issues defined in the Corporate Citizenship Policy – education, social welfare and emergency relief.

MAXIMISING EFFECTIVENESS IN UNLOCKING ADDITIONAL RESOURCES FOR COMMUNITY



In 2021, the additional resources leveraged by our community activities as a result of the contributions made from sources other than the Company – employees, customers, suppliers, etc.– amounted to 56 million euros, which represents a 45% increase on the previous year.

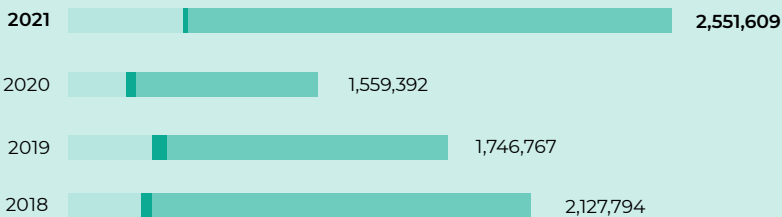
45%

increase in additional funds raised or contributions leveraged from other sources

INCREASING LEVERAGE

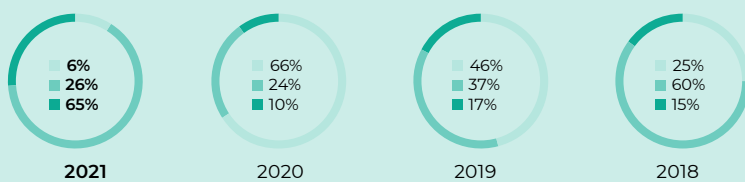
IMPACT ON PEOPLE

TYPE OF IMPACT



- Behaviour or attitude change
- Skills or personal effectiveness
- Quality-of-life or well-being

DEPTH OF IMPACT



- Connection
- Improvement
- Transformation

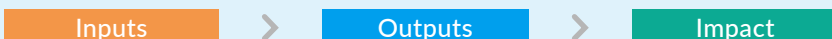
64%

increase in the number of positive impacts on direct beneficiaries

MAKING GREATER IMPACT

2,551,609 positive changes experienced by the beneficiaries, who have gained in quality of life, skills development and improved attitude, compared to 1,559,392 the previous year.

Additionally, the depth of impact has increased significantly compared to previous years.



5.7.1. Inputs

GRI 103-2; 103-3; 203-1; 413-1; 413-2; AF33 AND AF34

In 2021, the **Inditex Group allocated 63.5 million euros to social initiatives**. As for the type of inputs made, the information is classified into the following categories:

- **Cash contributions**, which is the aggregate monetary amount invested by Inditex in the development of social programmes together with non-profit organisations.
- **Time contributions**, which is the proportional cost of employees' paid time spent on activities of a social nature during working hours.
- **In-kind contributions**, which include donations of products—garments, mainly—to non-profit organisations.
- **Management costs**, which include the estimated expenses incurred for the general management of social programmes.

In 2021, in keeping with the strategy defined in our Corporate Citizenship Policy, we have significantly increased contributions in kind. We have also notably strengthened the time contributions by employees of their time during their working hours.

In total, **we have donated 5.9 million articles to social causes and our employees have devoted more than 206,000 hours from their working hours to social initiatives**. General management costs remained stable year-on-year.

Likewise, we at Inditex report our voluntary contributions to the community, according to the following classification:

- **Charitable gifts**: One-off institutional donations to the general goals of community organisations.
- **Community investment**, understood as the Group's long-term commitment to collaborating with the community to support specific social activities.



- **Commercial initiatives in the community**, with the support for programmes of social interest directly related to the Company's ordinary activity.

In 2021, **the inputs considered to be strategic** (community investment and commercial initiatives in the community) **accounted for 97% of total investment**, thus maximising the efficacy and broadening the impact of our social projects.

With regard to the strategic action areas defined in the Corporate Citizenship Policy, 79% of the investment in social programmes has been allocated to activities related to social welfare, education and emergency relief.

In relation to the **geographic areas** where social programmes are implemented, our Company prioritises regular contributions to the communities made at corporate level in the geographic areas where the Group operates, most notably in Inditex clusters (defined and listed in section 5.5. *Collaborating so our suppliers grow* of this Report). Likewise, the scope of action of the Group's subsidiaries on social matters is limited to their national territory, implementing local projects that maximise the positive impact within their sphere of influence.

Distribution of corporate community investment in 2021

By issue addressed	
Emergency relief	36%
Social welfare	31%
Education	12%
Other (environment, health, economic development, art and culture)	21%
By geographic area	
Europe ex-Spain	14%
Spain	34%
Americas	17%
Asia and rest of the world	35%
By SDG	
SDG 3. Good health and well-being	15%
SDG 4. Quality education	6%
SDG 5. Gender Equality	5%
SDG 8. Decent work and economic growth	9%
SDG 10. Reduced inequality	32%
SDG 12. Responsible consumption and production	21%
Others	12%

As for the input made by our Company towards the UN Sustainable Development Goals, the primary SDG (and secondary SDG, if applicable), has been identified in respect of the social initiatives implemented during the year. As a result, and consistent with our activity,

we have materially contributed to **SDGs 5, 8 and 12**. Additionally, we have significantly contributed to **SDGs 3, 4 and 10**. Specifically, we have allocated 88% of our Corporate Community Investment (CCI) to initiatives that had one of these SDGs as their main objectives.

Corporate community investment evolution for 2018-2021 (€MN)

	2021	2020	2019	2018
Total Corporate Community Investment	63.5	71.8	49.2	46.2
By form of contribution (management costs included)				
Cash	31.8	50.2	33.2	30.1
Time	6.2	5.3	3.7	3.5
In-kind	24.2	15.0	11.7	11.9
Management costs	1.3	1.2	0.6	0.6
By category (management costs excluded)				
Charitable gifts	1.7	1.9	1.6	1.8
Community investment	45.7	55.2	36.7	36.2
Commercial initiatives in the community	14.8	13.5	10.3	7.6

Charitable gifts. One-off institutional donations to the general goals of charities.

Community investment. Long-term strategic commitment to support specific social activities.

Commercial initiatives in the community. Initiatives of social interest directly related to the Company's commercial activity.

5.7.2. Outputs

GRI 103-2; 103-3; 203-1; 413-1; 413-2; 308-2; AF33 AND AF34

In 2021, we launched **725 social initiatives**, compared to 703 in the previous year. These initiatives have directly benefited **more than 2.2 million people**.

A breakdown of the circumstances of the 2.2 million direct beneficiaries is as follows:

Distribution of the people benefited by social programmes in 2021 on the basis of their situation

95%	
Living in developing countries	57%
Low income	27%
Refugees	7%
In situation of vulnerability	2%
Immigrants	2%
5%	
Other profiles ⁹⁶	

As for the **number of community organisations** supported by Inditex in 2021, we have made contributions to a total of 427 such entities. The amount of benefiting community organisations were 439, 421 and 413 in 2020, 2019 and 2018, respectively.

^① More information in section 5.7.4. Key programmes of this Report.

In terms of **leverage**, the additional resources raised by our social programmes in 2021, as a result of the contributions from third parties (employees, customers, etc.) amounted to **56 million euros**. Most of the leverage generated is from initiatives run by Water.org —resulting from the additional capital released by microfinance institutions—, Moda Re —through the collection of garments— and from the donations made by our employees through their payroll giving schemes.



96. 'Other profiles' refers to people with a disability, the victims of a catastrophe or natural disaster, people who are unemployed or who belong to ethnic minorities, among others.

5.7.3. Impact

GRI 103-2; 103-3; 203-1; 413-1; 413-2; AF33 AND AF34

a) Community impacts

Impact on people

To ascertain the effectiveness of the social programmes we carry out, we analyse them from the perspective of both the depth and the type of impact.

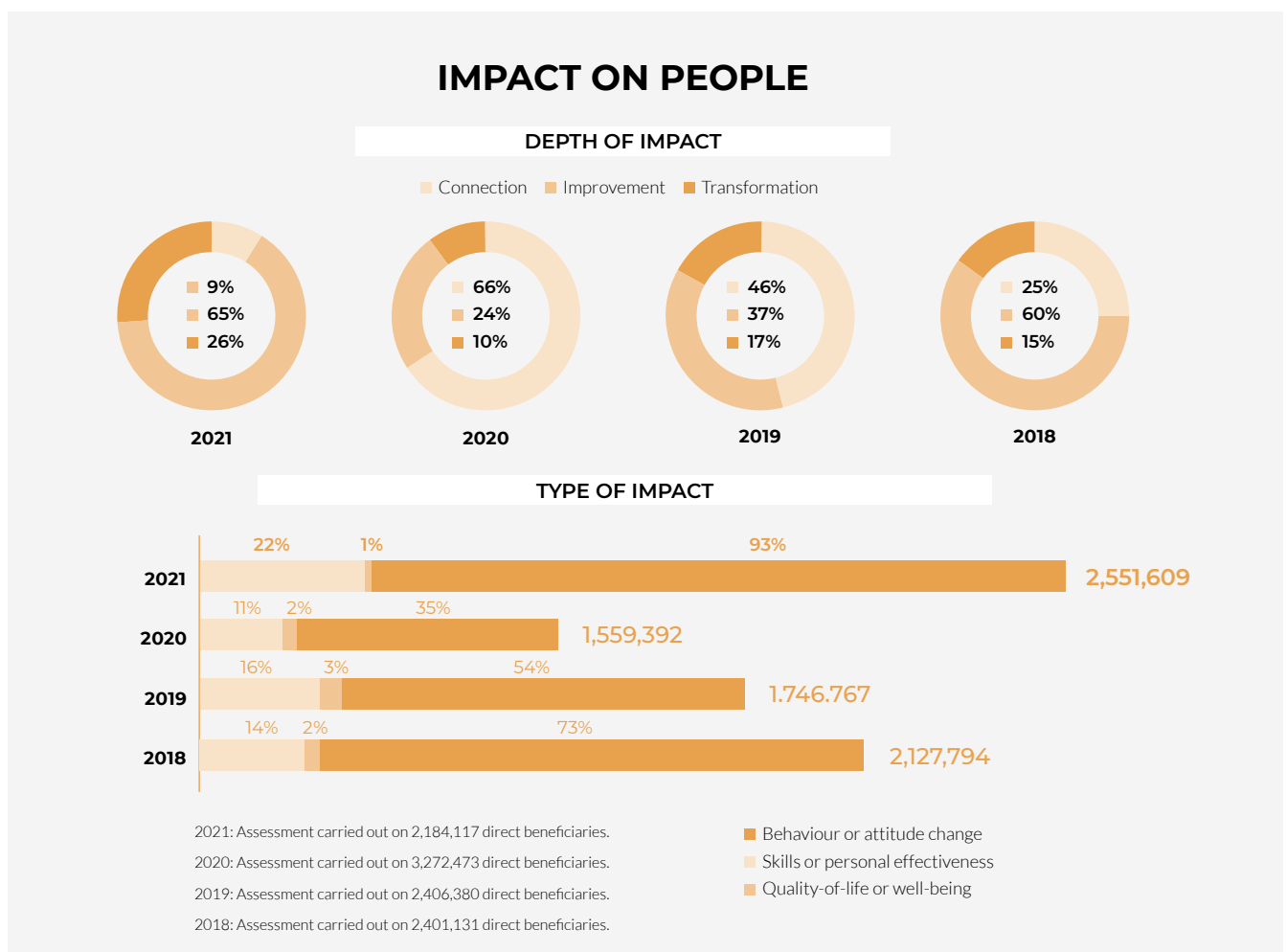
In terms of **depth**, the effects on the beneficiaries of the initiatives in which we are involved are broken down into three categories, with the figures computed at each level being mutually exclusive:

- **Connection**, which represents the number of people reached by an activity who have reported some limited change as a result of a programme.
- **Improvement**, meaning the number of people who have reported some substantial improvement in their lives as a result of the project.

- **Transformation**, meaning the number of people who have reported a fundamental change in their circumstances as a result of the improvements made.

With regard to the **type of impact**, we classify the changes in beneficiaries in the following three categories. In some cases, a single beneficiary may experience several types of impact:

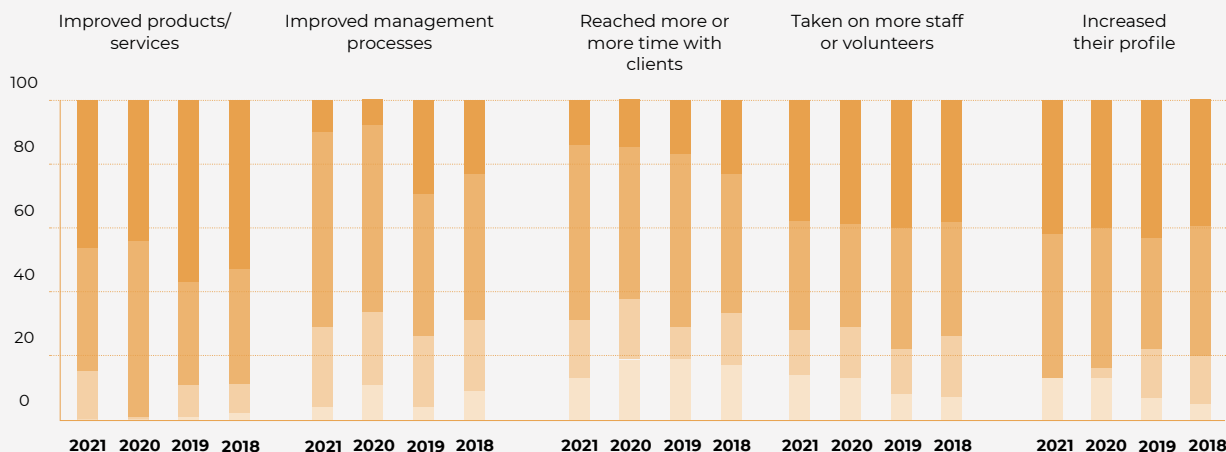
- **Positive change in behaviour or attitude** when the activity has helped generate behavioural changes that improve people's lives. It can also mean that the programme has changed negative attitudes or prejudices and enabled people to make better decisions.
- **Development of skills**, meaning that the activity has helped to develop new abilities or improve existing abilities, enabling them to develop academically, socially or physically.
- **Improvement in quality of life**, meaning that the activity has helped people to be healthier or happier, since they have improved their physical, emotional or social well-being.



Impact on community organisations

In addition to the analysis of the impact on the beneficiaries of the Company’s social projects, we analyse the effects on the beneficiary community organisations of the community investment projects carried out.

IMPACT ON COMMUNITY ORGANISATIONS



2021: assessment carried out on 230 community organisations supported by Inditex on 71 long-term strategic 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

Legend:
 No difference (lightest orange)
 Low impact (light orange)
 Medium impact (medium orange)
 High impact (darkest orange)

b) Business impacts

In addition to assessing the impact on the community, both on individuals and community organisations, we analyse the return for the Company derived from the Corporate Community Investment, both from the perspective of the participating employees and the business itself.

Impact on employees

The impact on the participating employees is related to the change that occurs after the social initiative has been carried out by the Group. To measure this, we use surveys to ask 15 questions grouped into three key indicators: skills development, personal well-being and positive change in the perception of the company.

- **Job-related skills:** improvements in core, job-related competencies such as communications, teamwork or leadership skills.
- **Personal well-being:** changes in areas like self-confidence, job satisfaction and pride in the Company.

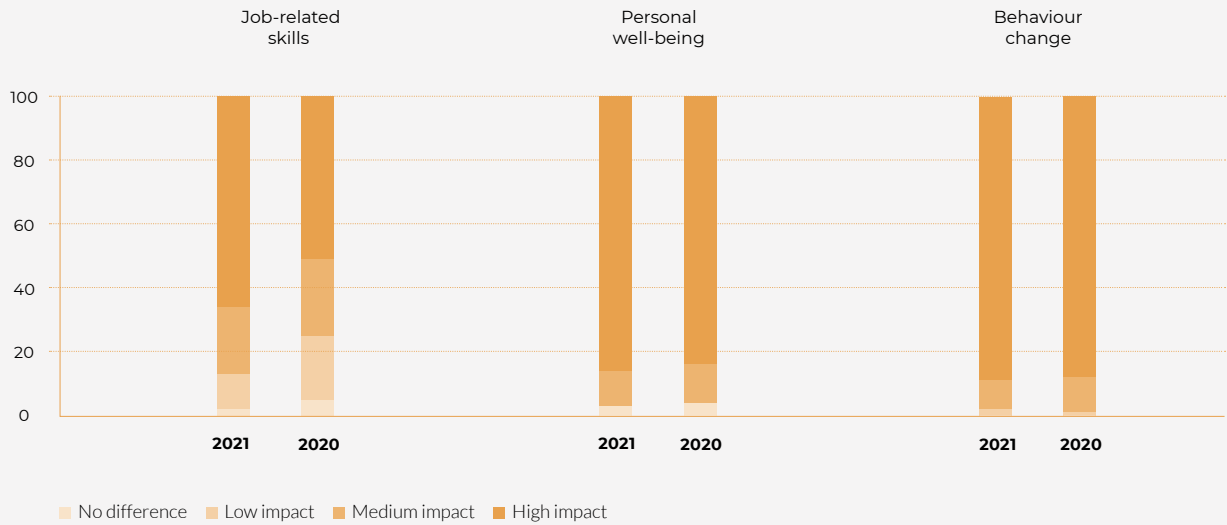
- **Behaviour change:** changes in behaviour such as increased volunteering or being a more vocal advocate of the Company.

Impact on the business

With regard to the impact on the Company itself, we evaluate the return in five areas, namely:

- **Human resources benefits:** improvements in the Company through increased commitment, recruitment or performance, linked to the social initiative carried out.
- **Improved stakeholder relations and perception:** improved perception by external stakeholders, especially opinion leaders, based on the social initiative carried out.
- **Business generated:** contribution to new business such as increased sales linked to causal marketing activities or new market opportunities.

IMPACT ON EMPLOYEES

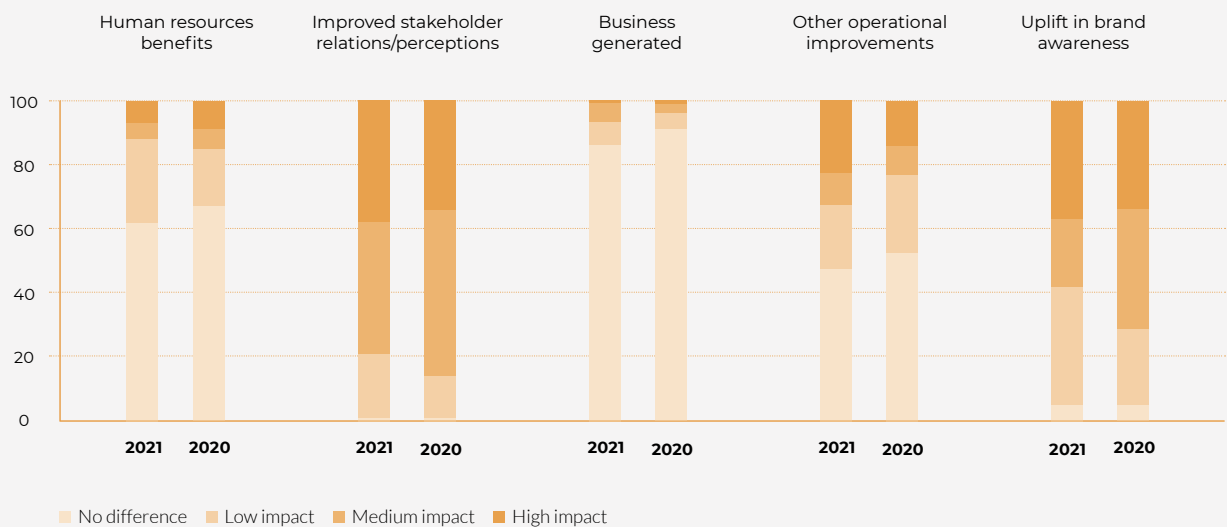


2021: Impact assessment carried out on 100 volunteers in 9 countries

2020: Impact assessment carried out on 75 volunteers in 7 countries

- **Other operational improvements:** indicator linked to aspects such as increased resilience of suppliers and/or the supply chain.
- **Uplift in brand awareness:** profit generated through improved brand awareness as a result of increased media coverage, for example.

IMPACT ON THE BUSINESS



2021: Impact assessment carried out over the 725 initiatives developed on the financial year.

2020: Impact assessment carried out over the 703 initiatives developed on the financial year.

5.7.4. Key programmes

GRI 103-2; 103-3; 203-1; 203-2; 413-2; AF33
AND AF34

Education

EPGO (Educating People, Generating Opportunities)

EPGO is a cooperation programme in collaboration with *Entreculturas* aimed at offering education and professional training to persons at risk of exclusion. Since its launch in 2014, the programme has directly benefited more than 583,000 people, in particular vulnerable girls and women, in Argentina, Bolivia, Ecuador, Spain, Lebanon, Mexico, Paraguay, Peru, South Africa, Uruguay and Venezuela. In 2021 the programme helped 69,000 people.

Inditex Chair of Refugees and Forced Migrants in the Comillas Pontifical University

This chair was created in 2016 to further academic research into migration, improve aid to migrants and refugees on the ground and to raise social awareness. It also conducts projects for the integration of refugees in European cities.

TEMPE-APSA Chair of Disability and Employability at Miguel Hernández University in Elche

We helped to create this chair in 2015 to nurture multi-disciplinary research and training in the field of disabilities. Legal experts, economists and psychologists study the most suitable formulae for increasing the employability of people with disabilities. Furthermore, the Diploma in Auxiliary Shop Tasks strengthens the skills and competencies of people with disabilities to access the labour market.

Inditex Chair of Spanish Language and Culture at the University of Dhaka (Bangladesh)

With the collaboration of the universities of Santiago de Compostela and A Coruña, this Chair has been promoting Spanish language and culture and fostering academic exchange between Spain and Bangladesh since 2011. High-performing Bangladeshi students have the opportunity to take part in intensive Spanish courses in Spain. At the same time, cultural activities open to Bangladeshi University students are carried out to promote Spanish culture in Dhaka.

Collaboration programme with Tsinghua University

In 2019, Tsinghua University and Inditex set up the Sustainable Development Fund, aimed at supporting this Chinese institution in its efforts to promote research, dissemination and social support for Sustainable Social Development Practices.





The collaboration programme also involves research trips to A Coruña (Spain) for the university's students to broaden their knowledge and experience in fashion, logistics, environmental protection and sustainable development through Inditex and other companies. The collaboration also envisages the professional development of academic staff and the promotion of cultural activities in the Tsinghua campus.

Collaboration programme with the Massachusetts Institute of Technology (MIT)

The collaboration with MIT in education and research is structured around various action areas: creating Inditex chairs in areas such as operational research and sustainability; research and enhancement of knowledge in matters such as artificial intelligence, machine learning or data science; an Inditex scholarship for MIT students; and the development of research lines in areas such as textile recycling or the creation of new fibres using sustainable technologies.

Collaboration programme with the University of A Coruña (UDC)

The following projects are executed under this programme: Inditex-UDC Sustainability Chair to promote a space for community reflection, academic training and applied research on sustainability and social innovation; InTalent Programme that enables scientists with extensive international experience to conduct their innovation programmes at UDC's

research centres; and grants to fund pre-doctoral research residencies in universities and research centres abroad, enabling them to complete their PhDs.

Social Welfare

Moda Re-

Moda Re- is a programme run by Cáritas and Inditex dedicated to collecting used textiles in order to recover and reuse them through a sustainable business model based on the circular economy. Its purpose is to generate employment for vulnerable people through the collection, recycling, and reuse of used garments. Thanks to Inditex's support for this initiative, since its creation some 2.3 million articles have been donated to vulnerable people, more than 75,000 tonnes of clothing have been collected and 61 second-hand clothing stores have been opened or refurbished. The programme currently generates 1,000 jobs, 500 of them the result of insertion initiatives.

Employment and Training Programme in Spain

Inditex has been supporting the Cáritas Employment Programme since 2011, whose aim is to promote access to decent employment for persons in a situation of vulnerability. This initiative, to which we have contributed 13 million euros since the collaboration began, is structured around various lines of action: promotion of social economy enterprises; support for self-employment; and improvement of

professional training. Thanks to this programme, 7,482 persons in situations or at risk of exclusion, have improved their employability, and 2,537 persons have found a job.

Every Mother Counts Programme

This programme supplies prenatal and maternity care to pregnant women in Bangladesh and the United States. The support of Inditex has enabled Every Mother Counts to partner with the HOPE Foundation for Women and Children in the south-eastern Bangladeshi district of Cox's Bazar. In the United States, it has also provided access to prenatal and post-partum care for thousands of low-income women at risk of social exclusion and their babies.

Water.org Programme

We have been working with Water.org since 2015 to improve access to drinking water and sanitation for vulnerable families through microloans in countries such as Bangladesh, Cambodia and India, and in various Latin American regions. The idea is to provide people on low incomes with access to affordable loans to cover their water and sanitation requirements. In the wake of Inditex's input of more than 7.5 million dollars in 2015-2021 (more than 6.7 million euros at the 2021 year-end exchange rate), local banks released another 218 million dollars (more than 195 million euros at the 2021 year-end exchange rate), enabling 553,000 loans to be granted. Consequently, more than 2.1 million people have improved their access to water and sanitation.

for&from

for&from is a social/workplace integration programme for people with disabilities that is based on launching retail establishments under the image of the Inditex's different brands. These stores are managed by non-profit organisations and staffed by people with disabilities. Inditex makes an initial outlay to build the store and, from then on, the community organisations manage a self-sustaining model through the sale of products from previous seasons. The proceeds go entirely to the managing organisations to fund projects that help people with disabilities. The programme currently has 15 stores, including the expansion in 2021 of Massimo Dutti *for&from* Allariz, and gener-

ates 200 jobs and stable income for the managing organisations.

Salta

Salta is an Inditex programme aimed at incorporating young people in situations or at risk of social exclusion into the labour market through training and job opportunities. The aim is to integrate vulnerable persons in our stores, factories or logistics centres. More than 1,500 people have been trained and joined Inditex through *Salta*. The programme currently operates in 13 markets: Germany, Brazil, South Korea, Spain, the United States, France, Greece, Italy, Mexico, Poland, Portugal, the United Kingdom and Turkey.

Medicus Mundi Programme

Medicus Mundi and Inditex have been working together in Morocco since 2015 to improve the well-being of garment workers in the Tangier-Tetouan-Al Hoceima and Casablanca-Settat regions. In 2021, our partnership with Medicus Mundi received a strong boost when we signed a new three-year agreement. This latest intervention, with 1.2 million euros in Inditex funding, continues work in areas such as occupational risk prevention and adds the implementation of protocols against sexual and moral harassment at the workplace. It also focuses on improving the health and social context of the sector, through activities for the socio-occupational integration of vulnerable groups, support for the local public healthcare system and the promotion of sexual and reproductive health. The programme plans to expand its activities into neighbouring countries like Tunisia.

China Programme

In 2021, Inditex has continued to strengthen its relationship with strategic partners in connection with community investment in China. Specifically, it has worked with the China Development Research Foundation (CDRF) in the donation of 201,000 units of medical material to mitigate the consequences of the pandemic in Hubei province. Furthermore, to alleviate the impact of the floods that hit Henan province in July, Inditex donated one million yuan through the China Women Development Foundation and gave material worth more than 10 million yuan via the China Environmental Protection Foundation to help those affected.

With regard to education, in addition to the programme with Tsinghua University, we joined forces



with Fudan University in Shanghai to support its business school's MBA Spain Immersion Program. The Inditex Scholarship and Fund for Education and Training at Huazhong University of Science and Technology was set up to support the construction and launch of an Economics Faculty.

A Flote

The Emalcsa Foundation, A Coruña City Council and Inditex have been working together since 2017 in the *A Flote* social integration and social benefits programme in the catchment area of Inditex's main headquarters. In 2021, 423 emergency social benefits were handled, 319 requested by women and 105 by men. These emergency benefits were used mainly for housing, school meals and utility expenses (water and electricity).

Alentae

Alentae is a project run by the Galician Confederation of People with Disabilities (COGAMI) in cooperation with Inditex, aimed at helping people with disabilities to access the labour market. In 2021, a special employment centre was created to manu-

facture surgical masks, supported by Inditex which donated five automated production lines worth 1.5 million euros, with a monthly production capacity of 13 million units. In addition, the facilities, located in Bergondo (A Coruña), were fully refurbished by the Group to adapt to the requirements for producing surgical masks.

Zara Tribute

Zara Tribute is an initiative launched by Zara in 2021 to promote and channel support for community activities through the design, launch and sale of capsule collections from the brand. Every season, these capsule collections share a common thread and specific theme linked to community investment. Furthermore, the proceeds from the sale of these limited editions are donated to the organisations involved in the initiative.

In its first season, Zara presented the Tribute Collection, commemorating and celebrating the great talents of the fashion world in the 1990s, with a particular focus on top models and the pioneering work of photographer Peter Lindbergh. The project is sponsored by the Peter Lindbergh Foundation and curated by Fabien Baron. The proceeds of

Zara Tribute 01 were allocated to the Franca Sozzani Fund, created in honour of the late Franca Sozzani, the legendary editor of Vogue Italy, admired for her creative spirit and for having revolutionised fashion. The organisation supports research into genomic sequencing to drive the development of preventive medicine.

Emergency relief

MSF Programme

Médecins Sans Frontières and Inditex have been working together since 2008 in developing numerous medical-humanitarian response projects in various parts of the world. As a result of this cooperation, to which Inditex has channelled more than 30 million euros over this period, six million people threatened by armed conflict, epidemics, diseases or natural disasters have received medical care from MSF health workers.

Supporting the MSF Emergency Unit

In 2011 we began collaborating with *Médecins Sans Frontières* (MSF) with the aim of guaranteeing an immediate response to medical-humanitarian crises anywhere in the world. Since then we have helped provide assistance to more than four million vulnerable people without access to medical care in around 70 countries. In 2021 we fully financed the structure of the Emergency Unit (based in Barcelona, Spain), as well as part of the regional teams in the Democratic Republic of Congo (the RUSK), in the Central African Republic (the EURECA) and in Ethiopia (the ESS).

Access to healthcare for the Rohingya community in Bangladesh

In response to the medical and humanitarian needs of the Rohingya community in Bangladesh, Inditex has been supporting *Médecins Sans Frontières'* projects there since 2017. Hundreds of thousands of people have been helped through this cooperation, in particular women and children under five. Specifically, with our support in 2021, among other actions, MSF teams have carried out 36,475 outpatient consultations, 20,450 visits to emergency departments and 6,979 hospital admissions. In addition, the vaccination record of 4,836 children has been updated and 1,599 births were attended to.

Access to healthcare for the migrant population crossing Mexico

Inditex supports MSF in humanitarian relief projects to assist people from Central America attempting to

cross Mexico to gain entry into the United States. In 2021, supported by Inditex, MSF health workers carried out 20,775 outpatient consultations and 4,597 mental health consultations.

Caring for mothers and children at Port-à-Piment, Haiti

As a result of the earthquake that hit Haiti in August 2021, Inditex triggered an emergency plan in cooperation with MSF with the aim of helping to mitigate the impact of this catastrophe. Specifically, Inditex focused its efforts on supporting the maternity and children's hospital in Port-à-Piment to guarantee its ongoing operation after the earthquake. In 2021, MSF professionals carried out 3,016 pre-natal consultations, assisted 615 births and conducted 3,161 consultations in connection with family planning at the Port-à-Piment maternity and children's hospital.

UNHCR Programme

For the second year running, Inditex and UNHCR, the United Nations High Commissioner for Refugees, implemented their ambitious programme of gifts in kind to help clothe refugees and internally displaced people. Through this initiative, which is rolled out in conjunction with various suppliers, Inditex supports UNHCR in its task of sheltering refugees who have been forced to abandon their homes and all their possessions, and helping to restore their dignity. In 2021 more than 2.4 million articles from our collections were donated to UNHCR to help clothe refugees in Uganda, Rwanda and Burkina-Faso. Humanitarian emergency assistance was also provided in the aftermath of the wildfires in Greece, the arrival of migrants to the coast of the Canary Islands (Spain), and of Afghan migrants to Turkey.

Assistance to displaced people in South America

Since 2009 we have been working with *Entreculturas* on a programme to tackle the situation of people forced to flee in Colombia and on its borders (Panama, Ecuador and Venezuela), due to the armed conflict which over this period has caused the exodus of millions of Colombians from the region. For this purpose we established a partnership with the Jesuit Refugee Service Latin America and the Caribbean (JRS LAC), which has helped 77,000 refugees or displaced persons, especially children, adolescents and young people at risk of being linked to, used or forcibly recruited by armed groups, as well as refu-

gees and displaced persons with disabilities, ethnic minorities, black and indigenous communities and women-headed households with children.

In 2021, in light of the humanitarian crisis stemming from the situation in Venezuela, Inditex decided to support another three-year programme to assist displaced persons that will be carried out in Venezuela, Colombia, Ecuador and Brazil.

La Palma Volcano Programme

As a result of the eruption of the volcano on the island of La Palma (Canaries, Spain), Inditex activated an emergency response programme in cooperation with the Red Cross which resulted in the donation of more than 47,000 Zara Home articles to supply 300 homes to relocate families who lost theirs to the volcano.

The material, sent to La Palma from our Cabanillas logistics platform, included blankets, sheets, quilts, towels, table cloths, cutlery, hygiene products, dishes and glasswear to equip the homes of the families affected.

Emergency programme in India

In May 2021, South Asia rapidly became the new global epicentre of the covid-19 pandemic. Against this backdrop, Inditex launched a programme in cooperation with the International Federation of Red Cross and Red Crescent Societies (IFRC) and the Red Cross in India with the aim of responding to this emergency.

This programme, to which Inditex provided funding of five hundred thousand euros, was aimed primarily at meeting the following needs:

- Supplying ambulance services, first aid, health-care and oxygen to some of the most vulnerable people.
- Supporting the local administration in surveillance, screening at state borders, testing and the creation of isolation/quarantine facilities,
- Distributing soap, masks and hygiene kits to people in need.



Other issues addressed

In addition to the programmes described above, in 2021 we allocated 21% of our corporate community investment to initiatives linked to the environment, economic development, healthca, art and culture.

Likewise, in 2021 we have continued to support research institutions such as *Fundación Pro CNIC*, Massachusetts Institute of Technology (MIT), *Real Instituto Elcano* and *Fundación Carolina*, among others. Inditex's links to art and culture are embodied by collaborations with institutions such as the Royal Spanish Academy, Reina Sofía National Museum of Art and the Royal Theatre opera house, among others.

Likewise, Inditex makes charitable gifts at corporate level and from the Group concepts and subsidiaries to help further the general aims of non-profit organisations. We earmarked 1.7 million euros in 2021 for charitable gifts in connection with requests from non-profit organisations, which were distributed among more than 150 entities.

5.8.

Fiscal responsibility and transparency

GRI 103-2; 103-3; 201-1; 201-4; 207-1; 207-2; 207-3; 207-4;
AF33 AND AF34

Related material topics: Value creation.



Strict compliance with our tax obligations also fulfils our commitment to create value and develop a positive social impact.

For Inditex, strict compliance with our tax obligations is a fundamental principle in all the markets where we operate. We see the application of good tax practices as an extension of our commitment to sustainability and corporate social responsibility.

It is also consistent with our **philosophy of value creation** and our determination to bring about positive social transformation wherever we are present, as the payment of taxes, by companies and individuals, enables the economic and social development of a community. Moreover, it fosters the construction and consolidation of infrastructures and public services that benefit the well-being of citizens and society in general.

Inditex's Tax Policy, approved by the Board of Directors in 2015, establishes that, in its tax practices, Inditex shall apply the fiscal legislation of the markets where it is present and, preferably, the interpretative criteria established by the authorities or courts

of those markets. Due to the heterogeneity of this regulatory framework, Inditex approaches its tax management by taking the standards of best practice in each territory as a reference.

The Inditex Group is based upon a vertical organisation which takes part in all stages of the value chain of the textile industry (design, manufacturing, procurement, distribution and sale). Since all such activities are carried out in different territories, the part of profit created in the value chain attributed to each one needs to be determined. Profit attribution is done pursuant to the arm's length principle, in accordance with local regulations and OECD Transfer Pricing Guidelines.

The principles of **collaboration, mutual trust and good faith** govern Inditex's relationship with the tax authorities. Furthermore, we are part of *Foro de Grandes Empresas* ("Large Companies Forum") in Spain, whose primary objective is to promote greater collaboration among large companies and the State Taxation Administration. We also comply with the Code of Good Tax Practices promoted in the Forum, and have followed its recommendations and subsequent developments. Specifically, it is important to note that the Group has presented the Tax Transparency Report for the 2021 financial year in accordance with the recommendation contained in section 2.4 of the Code.



Below is a breakdown of profit before taxes by market for 2021 (millions of euros) ⁹⁷:

Markets	2021	2020	2019	2018
Americas	645	(129)	359	294
Brazil	61	(30)	63	74
Canada	33	(9)	27	17
United States	253	(48)	84	50
Mexico	213	(43)	146	116
Others	85	1	39	37
Asia & Rest of the world	393	60	657	561
Australia	14	(2)	13	11
China	198	1	375	364
South Korea	34	6	57	24
Japan	44	17	83	56
Kazakhstan	23	14	22	15
Others	80	24	107	91
Spain	1,083	640	1,805	1,650
Spain	1,083	640	1,805	1,650
Europe	1,785	388	1,720	1,417
Germany	44	1	51	14
Belgium	36	(2)	26	83
France	127	28	101	139
Greece	30	15	41	31
The Netherlands	202	9	328	274
Hungary	7	(2)	11	12
Italy	121	(48)	93	83
Poland	25	3	44	38
Portugal	62	(1)	77	63
United Kingdom	98	30	78	34
Romania	66	31	67	67
Russia	240	86	229	154
Switzerland	409	145	307	257
Ukraine	58	39	54	28
Others	260	54	213	140
Profit before Tax	3,906	959	4,541	3,922
Consolidation	293	442	140	506
Consolidated profit/(loss) before taxes	4,199	1,401	4,681	4,428

97. Profit before tax in 2021 results from the application of the International Financial Reporting Standards (IFRS), including the application of the accounting standard for leases IFRS 16 and excludes the result of the dividend distribution of other subsidiaries of the Group, capital gains from the sale of intra-group holdings, as well as provisions for portfolio impairments in Group subsidiaries. Profit before tax is conditioned by the 'headquarters effect' and compliance with international regulations on transfer pricing (OECD Guidelines) whereby the result derived from design, supply, logistics and distribution functions is allocated to certain markets and, therefore, does not represent the Group's profitability in each market.

In 2021, the effective overall income tax rate was 22.6%, and the accrued income tax expense (in million euros) was as follows:

Markets	2021	2020	2019	2018
Americas	164	38	120	93
Brazil	17	-	14	18
Canada	2	6	6	5
United States	64	6	41	20
Mexico	49	15	42	38
Others	32	11	17	12
Asia & Rest of the world	59	62	123	119
Australia	1	4	4	3
China	20	20	56	71
South Korea	10	7	14	6
Japan	10	19	28	21
Kazakhstan	4	5	5	4
Others	14	7	16	14
Spain	195	103	372	360
Spain	195	103	372	360
Europe	383	222	392	383
Germany	7	(6)	12	5
Belgium	7	(1)	6	24
France	27	15	30	52
Greece	7	1	10	12
The Netherlands	106	84	127	101
Hungary	0	1	1	1
Italy	3	6	21	25
Poland	10	18	14	12
Portugal	14	5	16	14
United Kingdom	18	8	15	7
Romania	7	1	9	10
Russia	48	18	41	34
Switzerland	79	48	58	60
Ukraine	10	7	10	5
Others	40	17	22	21
	800	425	1,007	955
Consolidation	80	42	116	110
Income tax⁹⁸	880	467	1,123	1,065

98. Reported income tax corresponds to the obligation to pay the Corporate Tax, or another of a similar nature, paid in the current year, or to be paid in the following year, linked to the result before taxes by market, in accordance with the provisions in the Informative Guide on Non-Financial Information and Diversity published by the Institute of Accounting and Auditing of Accounts: In the current year, the payment obligation could be conditioned in some markets by the tax effect associated with tax losses derived from covid-19 generated in this year and, particularly, in the previous year. In this case, these tax losses have been offset in the current year.



The relation between profit/(loss) before tax and corporate income tax in each market is obtained by applying the prevailing tax rate to the taxable income. This, in turn, is the result of performing certain permanent or temporary adjustments to the accounting profit/(loss) before tax.

These adjustments relate mainly to avoiding double taxation on income, to non-deductible expenses and to differences in the criteria for temporary allocation of income and expenditure between tax and accounting legislation (depreciation, impairment, etc.).

The Group is committed to not using structures of a questionable nature for tax purposes, putting shell companies located in territories considered as tax havens by the Spanish legislation or uncooperative territories by the Spanish legislation. In this regard, the incorporation of companies located in territories considered as tax havens is limited to situations where it is absolutely indispensable for the development of the Group's own commercial activities, as is the case with the companies which operate the stores located in Macao SAR and Monaco.

	Sale of goods and services (thousands of euros)	Number of stores
MACAO SAR	7,554	5
MÓNACO	6,132	1
Total	13,686	6

In the current financial year, the Group has made use of legal instruments approved by the authorities of different foreign markets, among which Canada, Japan, France, Austria and the Czech Republic could be highlighted, to offset the costs of occupation and other negative impacts derived from the restrictions caused by covid-19, which has made it possible to recover around 31 million euros.

Likewise, section **5.9.2. Compliance and criminal risk prevention system** of this Report, sets out the measures that Inditex has adopted within the framework of stopping money laundering and the financing of terrorism. In addition, this year we received the Tax Compliance Management System Certificate in accordance with the UNE 19602 standard issued by the AENOR certification body.

In the financial year 2021, and in compliance with our tax obligations, Inditex's total tax contribution amounted 6,093 millions of euros, of which 2,423 millions of euros were direct taxes paid and 3,670 millions of euros were taxes collected on behalf of third parties in the territories and markets where the Company operates. In order to standardise the tax disclosures and denominations of these territories, PwC's Total Tax Contribution methodology is used. In it, taxes are divided into five categories:

- **Income tax.** This includes tax payable on profits earned by companies (such as corporate income tax or business tax), as well as taxes collected and some withholdings on payments to third parties.
- **Property tax.** Tax payable on the ownership, sale, transfer or occupation of property.
- **Personal tax.** Tax related to employment, paid and collected. This includes employees' personal income tax withholdings or social security contributions payable by the employee or the Company.
- **Tax on products and services.** Indirect taxes on the production and consumption of goods and services, such as VAT or customs duties, among others.
- **Environmental tax.** Duties relating to the supply, use or consumption of products and services that, in one way or another, affect the environment.

6,093 M€

TOTAL TAX CONTRIBUTION

Inditex's total tax contribution amounted 6,093 millions of euros,

With respect to the tax contribution by markets, as Inditex's home market, Spain is home to the main product activities and resulting business. For this reason, and because it represents 14.4% of global sales, it is the Group's largest direct tax contribution market. In 2021, 1,501 million euros in tax were paid in Spain, i.e., 25% of the overall total.



Direct tax		Taxes collected	
Income tax	760	Income tax	120
Property tax	84	Property tax	10
Personal tax	663	Personal tax	659
Tax on products and services	905	Tax on products and services	2,880
Environmental tax	11	Environmental tax	1
Total	2,423	Total	3,670
Total tax contribution			6,093

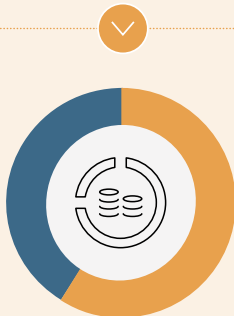
TAX CONTRIBUTION



6,093

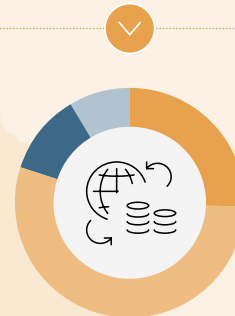
MILLION EUROS

TOTAL TAX CONTRIBUTION



2,423
MILLION EUROS
DIRECT TAXES

3,670
MILLION EUROS
TAXES COLLECTED



SPAIN
1,501
MILLION EUROS

EUROPE (*)
3,217
MILLION EUROS

AMERICAS
910
MILLION EUROS

ASIA & REST OF WORLD
465
MILLION EUROS

(*) Does not include Spain.

Spain	Direct taxes	Taxes Collected
	2021	2021
Spain	780	721
Total	780	721

Europe (*)	Direct taxes	Taxes Collected
	2021	2021
Germany	26	252
Belgium	9	101
France	84	360
Greece	16	107
Netherlands	85	113
Hungary	3	29
Italy	37	385
Poland	17	85
Portugal	14	165
United Kingdom	120	173
Romania	6	73
Russia	124	204
Switzerland	62	19
Ukraine	22	14
Others	169	342
Total	794	2.423

Americas	Direct taxes	Taxes Collected
	2021	2021
Brazil	90	47
Canada	50	36
United States	259	166
Mexico	141	48
Others	52	21
Total	592	318

Asia and rest of the world	Direct taxes	Taxes Collected
	2021	2021
Australia	15	19
China	66	108
South Korea	32	12
Japan	51	40
Kazakhstan	19	4
Others	74	25
Total	257	208

Direct taxes paid in the years 2021-2018 (in million euros)

Markets	2021	2020	2019	2018
Americas	592	357	623	489
Brazil	90	53	108	100
Canada	50	41	53	43
United States	259	129	213	151
Mexico	141	101	194	136
Others	52	33	55	59
Asia & Rest of the world	257	248	345	359
Australia	15	11	12	10
China	66	79	138	173
South Korea	32	31	32	27
Japan	51	59	66	64
Kazakhstan	19	12	14	14
Others	74	56	83	71
Spain	780	620	1,049	928
Spain	780	620	1,049	928
Europe	794	691	1,023	988
Germany	26	18	32	33
Belgium	9	7	18	35
France	84	117	190	229
Greece	16	12	31	23
The Netherlands	85	117	166	108
Hungary	3	4	4	4
Italy	37	44	75	82
Poland	17	24	22	11
Portugal	14	20	29	46
United Kingdom	120	16	65	72
Romania	6	2	10	13
Russia	124	79	109	96
Switzerland	62	66	94	70
Ukraine	22	16	18	16
Others	169	149	160	150
Direct taxes	2,423	1,916	3,040	2,764

Taxes collected in 2021-2018 (in million euros)

Markets	2021	2020	2019	2018
Americas	318	177	320	271
Brazil	47	34	84	79
Canada	36	23	35	33
United States	166	88	129	107
Mexico	48	22	52	35
Others	21	10	20	17
Asia & Rest of the world	208	144	189	187
Australia	19	17	25	21
China	108	59	96	109
South Korea	12	10	12	12
Japan	40	40	34	28
Kazakhstan	4	3	4	3
Others	25	15	18	14
Spain	721	581	825	764
Spain	721	581	825	764
Europe	2,423	1,871	2,375	2,180
Germany	252	189	228	201
Belgium	101	107	99	97
France	360	300	347	324
Greece	107	80	135	124
The Netherlands	113	97	85	86
Hungary	29	23	35	31
Italy	385	246	384	356
Poland	85	82	111	98
Portugal	165	151	203	191
United Kingdom	173	91	132	129
Romania	73	56	78	73
Russia	204	174	191	164
Switzerland	19	15	17	15
Ukraine	14	12	15	9
Others	342	248	315	282
Taxes collected	3,670	2,773	3,709	3,402

5.9.

Good governance, corporate ethical culture and solid compliance architecture

Related material topics: Ethical behaviour and governance; Stakeholder engagements.



Transmitting the corporate ethical culture to all internal and external stakeholders is paramount for Inditex, which has in place internal regulations to nurture the development of an ethical, efficient and competitive business model.

ulations, so as to prevent and, where appropriate, limit any kind of legal liability for the Company. As for the how, Inditex’s Compliance System seeks to show our **unwavering commitment to good governance and social and environmental sustainability**, and convey our corporate ethical culture to all our stakeholders, promoting respect for fundamental human and labour rights. Compliance is a consequence of this commitment, enshrined in the Compliance System explained in this chapter.

Evidence of this is the existence of an approved and published internal regulatory system reflecting our ethical culture. The Code of Conduct and Responsible Practices is the top-level regulation for Group employees, and the Code of Conduct for Manufacturers and Suppliers provides the benchmark regulation for Inditex suppliers and the entire supply chain.

5.9.1. Internal corporate ethical culture

GRI 102-16; 205-1; 407-1 AND 103-2

Inditex’s Compliance System is based on the implementation of our corporate ethical culture as an objective shared by all of us who make up the Company, because it is not only a matter of what we want to achieve, but of *how* we want to achieve it. One of the goals is to establish a compliance framework in keeping with the applicable legislation and reg-

Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices (also known simply as the **‘Code of Conduct’**) establishes Inditex’s ethical commitments and sets



FOR MORE INFORMATION

on the Code of Conduct and Responsible Practices.

out the behaviour expected of its employees. Its goal is to secure a professional, ethical and responsible commitment from Inditex and all its employees, in the course of its activities anywhere in the world, as a basic element of its business culture underpinning the training and personal and professional well-being of its employees. To this end, it defines the principles and values that must govern the relationships between the Group and our main stakeholders: employees, customers, shareholders, business partners, suppliers and those communities in which we implement our business model.

Notable among these principles are that:

- **All Inditex Group operations will be carried out in an ethical and responsible way;**
- All persons, legal and physical, with any direct or indirect labour, economic, social and/or industrial relations with the Inditex Group, will receive **fair and decent treatment; and**
- All the Group's activities will be conducted **in the most environmentally-friendly way possible, fostering the conservation of biodiversity and the sustainable management of natural resources.**

The Code of Conduct includes a series of **commitments for responsible conduct and practices**, among others:

- Compliance with applicable legislation and with Inditex's internal regulations;
- Respect for and promotion of human and labour rights and regulations and best practices in regard to employment, health and safety at work;
- The obligation to act in accordance with the criteria of respect, dignity and justice, considering the broad range of cultural sensitivities of employees and/or customers, their diversity and multiculturalism, preventing any form of violence, harassment or abuse, and discrimination;
- Compliance with product health and safety standards which guarantee that Inditex's articles do not pose any kind of risk to health and/or safety;
- The establishment of lawful, ethical and respectful relationships with any third party with whom it has dealings, particularly with suppliers and public authorities, in keeping with international provisions for the prevention of corruption and bribery;

- The obligation to prevent, control and monitor conflicts of interest;
- The duty to efficiently use Inditex's goods and services, and to protect the Company's information;
- The obligation to protect industrial and intellectual property belonging to the Company and third parties;
- The duty to record financially significant transactions clearly and accurately in the appropriate accounting records; and
- In performing Inditex's activity, to promote social and environmental sustainability as a means to create value for all stakeholders.

Over the course of the financial year 2021, work commenced to review the Code of Conduct in order to align its contents and structure with unfolding realities, with the sustainability commitments undertaken and with the Company's digital transformation, and to reflect our stakeholders' expectations.

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

Code of Conduct for Manufacturers and Suppliers⁹⁹

This Code defines **minimum standards of ethical and responsible behaviour** that must be observed by all of the Group's **manufacturers and suppliers** throughout the supply chain, in accordance with Inditex Group's corporate culture, firmly grounded on respect for human rights and sustainability.

It applies to all manufacturers and suppliers involved in the raw material procurement, purchasing, manufacturing and finishing processes of products that are marketed by the Group, and it promotes and is based on the general principles that define the ethical conduct of Inditex described above. Compliance with all the standards provided in the Code of Conduct for Manufacturers and Suppliers is a pre-requisite for a supplier or manufacturer to form part of Inditex's supply chain.



FOR MORE INFORMATION
on the Code of Conduct for Manufacturers and Suppliers.

⁹⁹ More information on the practical application of the Code of Conduct for Manufacturers and Suppliers in section 5.5. *Collaborating so our suppliers grow* of this Report.



5.9.2. Compliance and criminal risk prevention systems

GRI 102-17; 102-25; 103-3; 103-2; 205-2; 205-3 AND AF4

Strategy

Inditex's Compliance System involves the entire company and its employees. In other words, it is transversal, meaning that it is a corporate function encompassing all our retail concepts.

The organisation and coordination of Compliance System management corresponds to the **Compliance Function**, represented by the Ethics Committee, which acts as the decision-making body, and by

the General Counsel's Office – Compliance Office (hereinafter, '**General Counsel's Office -Chief Compliance Office**' or '**SG-DCN**' by its Spanish acronym), which is responsible for the system's operational management.

In this regard, the Compliance Function has a dual purpose:

- **Coordination:** implemented by SG-DCN in collaboration with the various areas and departments with compliance duties, to identify potential non-compliance risks and to define and implement controls tending to prevent the materialisation of those risks.
- **Periodic reporting:** carried out by (i) all departments with compliance functions to SG-DCN in

regard to those critical aspects that might impact Inditex from a compliance standpoint; and (ii) by SG-DCN, having consolidated the information compiled in a report that is approved, on a half-yearly and yearly basis, by the Ethics Committee and is submitted to the Board of Directors by the Audit and Compliance Committee.

In addition to the half-yearly reports, the Compliance Office, reports to each meeting of the Audit and Compliance Committee and, through the latter, to the Board of Directors. This direct dialogue with the Board of Directors guarantees the independence of the Compliance Function from Senior Management, ensuring that the ultimate control of the efficacy of the Compliance System depends exclusively on the Board.

The Compliance Function manages the Group's global compliance system, in addition to coordinating all the Company areas and departments with compliance responsibilities.

In 2021, the Group has worked to define the main lines of development towards an integrated global Compliance Model, based on legal requirements and international best practices, and, where necessary, adapted to local regulations.

This Compliance System is based on a **structure of core (high-level) standards**, approved by the Board

of Directors that apply globally, and a series of organisational documents.

Moreover, the Inditex Group's Compliance System is specifically regulated through the following standards:

- The **Group's Codes of Conduct** (detailed in the above section).
- The **Compliance Policy**: which sets out the commitments that all our employees must undertake, regardless of their location and position.
- The **Compliance Management Procedure** which develops the contents of the Policy and sets out the organisational measures to prevent, detect and manage Non-Compliance Risks, reinforcing a culture of ethical compliance.

Criminal Risk Prevention Model

In keeping with the provisions of article 31 bis of Spain's Criminal Code and as part of the Compliance System, Inditex also has an **organisational and management model for crime prevention**, or Model of Criminal Risk Prevention, aimed at **reducing exposure to risks** related to the potential commission of offences under the Criminal Code, in particular corruption, fraud and bribery. This Model, which is constantly evolving and adapting, comprises the following documents:

CRIMINAL RISK PREVENTION MODEL



Criminal Risk Prevention Policy

Which associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose perpetration the Company intends to prevent.

It expressly forbids the offering, granting, requesting or accepting, directly or indirectly, of gifts or handouts, favours or compensations, in cash or in kind, irrespective of their nature, or from any authorities or public servants, and includes specific guidelines to deal with public servants and administrators.

The Policy is available to all the employees on our corporate intranet.



Criminal Risk Prevention Procedure

Which establishes, among other things, the roles and responsibilities of the areas tasked with controlling and verifying the Model, as well as reporting on it, and the functions of the Ethics Committee regarding criminal risk prevention, as well as the Company's organisational measures on the matter.



Criminal Risks and Controls Matrix

1. Lists the criminal risks;
2. Details risk events applicable to Inditex's operations;
3. Establishes the controls in place to prevent risk events from occurring;
4. Designates the area responsible for executing the controls and reporting evidence of that execution;
5. Allocates the frequency with which they must be reported (hereinafter, also the **"Matrix"**).

The Model of Criminal Risk Prevention was approved by the Board of Directors in 2016, and more specifically, the Matrix is subject to a continuous **assessment and improvement process** to adapt it to the Inditex Group's growth and to statutory requirements, recommendations and best practices from time to time applicable in the field, thus ensuring its effectiveness.

In 2021 the Matrix was fully updated. This update consisted of analysing and reviewing potential risks inherent to the processes in the various operating and commercial activities performed, taking into account regulatory developments, the approval and/or amendment of internal regulations and changes to the organisational structure and to certain Company processes. As a result, most of the controls in the Matrix were updated (by means of additions, removals, modifications and changes in wording), focusing on those key controls that prevent or mitigate the risks identified.

The system for overseeing and monitoring the Model was also improved, both by the areas tasked with compliance duties and controls, and by the areas that review these and the general supervision carried out by the General Counsel's Office-Compliance Function.

Likewise, in order to reduce criminal risks inherent to the business carried out by Inditex, and in particular to the offences of public corruption and/or corruption among private persons identified in the Matrix, the controls in place have been monitored based upon risk prioritisation as determined in the risk map (hereinafter, the **'Map'**).

According to the Map, which is updated yearly, the main risks identified in connection with corruption, as per the latest update, are: (i) corruption between individuals; (ii) corruption in international transactions; and (iii) bribery.

During the financial year 2021, the Audit and Compliance Committee submitted the Model of Criminal Risk Prevention of the Inditex Group to an independent third-party audit, with a reasonable assurance review scope, in order to confirm the effectiveness and proper functioning of the controls contained in the Risks and Controls Matrix, as well as the Model's adequacy to the requirements set out in sections 2 and 5 of article 31 bis of the Criminal Code, to the UNE-ISO 19600 Compliance Management Systems standard and in keeping with the guidelines of COSO in its report Internal Control - Integrated Framework (2013). The audit report was issued without qualification.

This reasonable assurance work included understanding of the Internal Control System on the Model of Criminal Risk Prevention, assessing the risk of there being material internal control weaknesses, ensuring that the controls are adequately designed and operate in an effective manner, and performing tests and evaluations on the design and effective implementation of the system.

Anti-corruption regulations: our Integrity Policies

Within the framework of the Group's Compliance System, Inditex has a set of internal rules, approved by the Board of Directors in 2016, which, in application of our corporate ethical culture, enshrines and demonstrates our firm commitment to combating any form of corruption, fraud, money laundering or illegal financing.

In particular, in order to ensure that the activities performed by Inditex, as well as the work carried out by all our employees and the third parties with whom we are engaged in business relations, comply with the provisions of the **prevention of bribery and corruption regulations** in place in Spain and the rest of the markets in which the Group is present. For this, Inditex has drawn up Integrity Policies, which, in keeping with the provisions of the ISO 37001 Anti-Bribery Management System standard, interconnect with the ethical values of our Group, and comprise:

- **Policy on Donations and Sponsorships:** regulating the scenarios in which donations and sponsorships may or may not be made, as well as the flow for the verification, documentation and approval thereof.
- **Policy on Gifts and Business Courtesies:** regulating the requirements for the offering and/or acceptance of gifts or other courtesies to be considered valid and compatible with the rules of conduct of Inditex and establishing a channel for filing communications and complaints with the Ethics Committee.
- **Policy on Dealings with Public Servants:** expressly prohibiting all forms of bribery in the public and private sectors, including facilitation payments, even where such payments are not prohibited by the laws of the country or territory concerned. Likewise, the Policy establishes the due diligence processes implemented to guarantee that the behaviour of third parties with whom Inditex has relationships is in keeping with the values, rules and ethical standards of the Company, the regulations applicable in the markets and anti-corruption best practices.



**FOR MORE
INFORMATION**
on our Integrity
Policies.

In 2021, work focused on attaining a greater level of detail through the procedures for implementing the aforementioned Integrity Policies, detailing the controls, roles and responsibilities of the departments in charge of implementing them. The approval and distribution of these procedures and the training of staff in their connection will take place over the course of 2022.

Moreover, Inditex has the following specific regulations concerning the **prevention and management of conflicts of interest and the prevention of money laundering and terrorist financing**, respectively:

Conflicts of Interest Policy

This Policy establishes the principles and criteria to be taken into consideration to prevent, detect, report and manage any conflicts of interest that might arise in the performance of the professional activities of Inditex employees, and which could compromise the objectivity or professionalism required in the performance of their duties.

Anti-Money Laundering and Terrorist Financing Policy

This Policy defines the due diligence processes implemented within the Company taking into account the different types of business activities we perform, namely:

- The process to limit cash payments in stores, whereby certain mechanisms are developed to monitor payments in cash by customers in stores; and

- The process to identify and review potential risks from our business partners, suppliers and other third parties, in accordance with due diligence measures outlined in our internal regulations (the Due Diligence Policy and Procedure) and, as the case may be, in the applicable laws.

Due diligence

In line with the principles and criteria for action established 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 maintain a direct business relationship. In this regard, the **Due Diligence Policy**, approved by the Board of Directors in September 2019, is designed to align the relationships with our business partners, suppliers and large customers, with the processes described in international standard ISO 37001 Anti-Bribery Management Systems in organisations, as well as the regulations and the most stringent standards on anti-corruption.

The due diligence process regulated by the Policy consists of the **identification and analysis of all suppliers, business partners and third parties** with whom we engage in business relations, from the perspective of corruption, fraud, international trade sanctions and/or any other risks of a similar nature. Consequently, this is a process that is separate from but aligned with any other analysis of a social, environmental, operational, financial or commercial nature, or of any other kind which the Group may carry out in with suppliers and other third parties.

This Policy is developed and implemented based on a number of principles:



It sets forth the obligation to submit all **business partners, large customers, suppliers and third parties** with whom Inditex engages in business relations to this due diligence process.



It is a **necessary prerequisite** in order to commence business relations with third parties.



It prohibits **any business dealings** with third parties for whom **compliance risks have been detected**, when no action plan to mitigate or remedy such risks is under way.



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

Since the beginning of 2020, all those suppliers and other third parties that enter into commercial and/or professional relations with Inditex have been subject to the due diligence process, which is increasingly demanding in accordance with certain factors, such as the following: (i) the third party's total estimated business with Inditex; (ii) the market in which the third party is based and carries out its main business; (iii) the sector to which it belongs; and (iv) its degree of interrelation with the authorities and public officials.

In the second half of 2021, work commenced on the re-approval of all the Group's suppliers already registered at the date of implementation of the aforementioned due diligence procedure, also subjecting them to the procedural flow applicable to them, in accordance with Inditex's due diligence regulations. This re-approval process is expected to conclude in the first half of the financial year 2022. In order to regulate the manner in which this control of suppliers and other third parties having dealings with Inditex is managed, the Due Diligence Development Instruction has been approved, which describes the responsibilities of the areas involved in the various procedural review flows, as well as in the design, execution and monitoring of any action plans established.

Within the framework of the due diligence system, Inditex has modified its **Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets**, approved in 2017, which established limits on hiring suppliers, only allowing those based in markets authorised by the Group to be hired (i.e., those who meet legal and business operation criteria); and on making payments only to those suppliers which, having met the foregoing requirement, had a bank account opened in such markets. This regulation was replaced in 2021 by the **Procedure for Limiting Trade Relations with Third Parties**, which broadens the subjective scope of the rules, to include not only suppliers but all third parties having dealings with Inditex, and the objective scope of the rules, allowing only those payments made to and at present also those payments received from certain markets.

Crime and corruption prevention models outside Spain

Furthermore, in 2021, we continued to roll out **compliance models at local level**, in keeping with the regulatory requirements in each jurisdiction where we are present, and we began the process of standardising the criminal risk prevention and



anti-corruption models, in full alignment and coordination with the system implemented in Spain, which also operates as a global system.

In addition, during the financial year 2021, the implementation in Mexico of the criminal risk prevention model was completed (with a procedure and a Matrix included in the corporate control system), in

order to comply with the legal requirements in that country, always in coordination with the Model. We also began the implementation of the model in Brazil. In both cases, external legal advice was sought so as to verify their suitability to regulations, recommendations and best practices and, in the case of Mexico, the model was subject to a prior assessment by Internal Audit.

The status and characteristics of the compliance models implemented locally at the end of the financial year 2021 are detailed below:

CRIMINAL RISK PREVENTION / ANTI-CORRUPTION MODELS



DESCRIPTION OF THE MODEL



REGULATION OR REFERENCE STANDARD

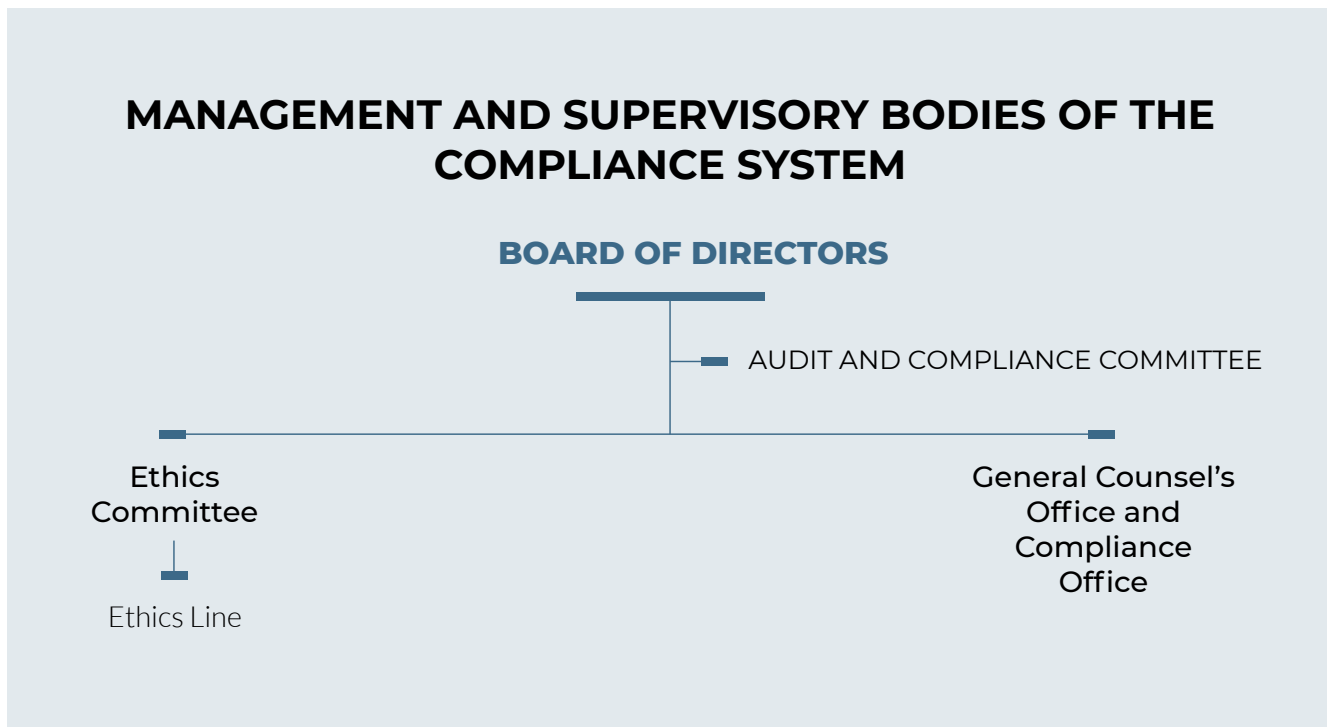


STATUS

	← →	← →	← →
SPAIN	Criminal risk prevention model	Art. 31a, Criminal Code	Implemented
FRANCE	Anti-corruption model	Loi Sapin II	Implemented
IRELAND & ITX RE	Anti-corruption model	Criminal Justice Act	Implemented
UNITED KINGDOM	Anti-corruption model	UK Bribery Act	Implemented
ITALY	Crime prevention model	<i>D.Lgs. 231/2001 – Responsabilità amministrativa da reato</i>	Implemented
TURKEY (ongoing)	Anti-corruption model	Criminal Code Anticorruption guidelines	Implementation in progress
RUSSIA (ongoing)	Anti-corruption model	Criminal Code Anticorruption guidelines	Implementation in progress
MEXICO	Anti-corruption model	Federal Penal Code, Penal Code of Mexico City, National Code of Criminal Procedures and the General Law of Administrative Responsibilities	Implemented
BRAZIL (ongoing)	Anti-corruption model	Criminal Code and Anti-Corruption Law 12846/2013	Implementation in progress

Management and supervisory bodies of the Compliance System

The management and supervisory bodies of the Compliance System and, in particular, the Model, are as follows:



The Audit and Compliance Committee is responsible, among others, for the following functions:

- Evaluating the effectiveness of internal enterprise risk management and non-financial risk management and control systems, including those related to corruption, and the measures envisaged to prevent or mitigate the impact of the risks detected and identified in the Matrix;
- Identifying and re-assessing the most significant financial and non-financial risks;
- Ensuring they remain and are managed within the accepted tolerance levels; and
- Overseeing the fulfilment and efficacy of the Compliance policies and procedures.

Additionally, 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 and the Model of Criminal Risk Prevention; and may submit

proposals for the adoption of measures designed to improve compliance with the Model and the Compliance System.

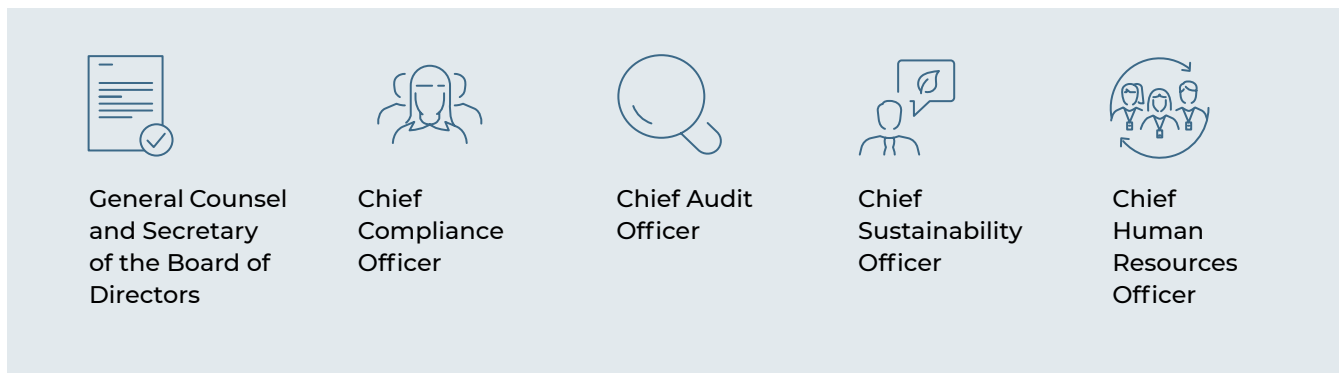
The Ethics Committee and the General Counsel's Office- Compliance Office make up the so-called Compliance Function. **The General Counsel's Office -Compliance Office**, as explained above, is tasked with the **operational management of the Compliance System** of Inditex and its Group, and, in particular, of the Model of Criminal Risk Prevention. Meanwhile, the **Ethics Committee** is the internal body in charge of **overseeing compliance with the Codes of Conduct, the Model of Criminal Risk Prevention, the rest of the anti-corruption models**, and guaranteeing the effectiveness of the controls.

The Ethics Committee submits, at least every six months, a **report to the Audit and Compliance Committee** to review its activities and the enforcement of the Code of Conduct and Responsible Practices, as well as the results of the supervision of the Model of Criminal Risk Prevention.

Ethics Committee 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 is made up of:



It is also the body in charge of supervising the operation of the **Ethics Line** and compliance with its procedure, pursuing any investigations that may be necessary. The operation of this Ethics Line is set out in the Ethics Line Procedure.

The Ethics Line is a strictly confidential channel through which all Group employees, manufacturers, suppliers or third parties with direct dealings or legitimate commercial or professional interest may, regardless of their hierarchical level and geographic or functional location, file concerns, including anonymously:

 <p>Enquiries and/or doubts on the interpretation or application of the Group's Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, as well as any other internal rules of conduct within the scope of action of the Committee of Ethics.</p>	 <p>Non-compliance with the Group's Codes of Conduct, as well as any other internal rules of conduct within the competence of the Committee of Ethics, of which they are aware, affecting Inditex, and that have been committed by employees, manufacturers, suppliers or third parties with which Inditex holds a direct labour, commercial or professional relationship.</p>
<p>Therefore, any non-compliance and irregularities related to corruption, fraud and bribery can also be reported via this channel.</p>	

The Procedure, which was amended by the Board of Directors in December 2019, is aligned with the principles of Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law and, in particular, with the regulatory require-

ments regarding **the protection of personal data** and the **rights of users of whistleblowing mechanisms**, as well as with international best practices in the field of human rights. This Procedure offers the following **guarantees and protection measures** to the parties involved in the process.

Utmost confidentiality.	Presumption of innocence and preservation of the right to honour of the accused.	Non-retaliation.	Appropriate use of personal data processed.	The parties' right to be heard.
<p>All the information regarding the Ethics Committee and the Ethics Line is available on our intranet and on our corporate website (www.inditex.com), under the new Compliance tab, which provides direct access to this channel.</p>				



HOW THE ETHICS LINE WORKS



1. Communication

The person concerned reports an incident.

canaletico@inditex.com

ethicsline@inditex.com

postal mail



2. Management

The Ethics Committee acknowledges receipt and decides whether to accept or disregard the communication.

3. Investigation

The Ethics Committee initiates the investigation process, in collaboration, where applicable, with other areas.



4. Measures

After hearing the interested party, the Ethics Committee will decide on:

- closing proceedings where no breach exists, or
- the existence of an infraction, its severity and the advisability of adopting disciplinary measures and/or complementary actions

In the event of non-compliance, the measures will be determined by the competent department or area based on the determined severity of the infraction and other circumstances, and which may consist of:

- Immediate correction of the breach and adoption of measures to repair and prevent future breaches;
- Disciplinary measures (from a simple warning or reprimand, to dismissal)

How the Ethics Line works

The decisions of the Ethics Committee are **binding** upon the Inditex Group and on the persons to whom they are addressed, where applicable.

Ethics Line | Canada, United States and Puerto Rico

Inditex has also made available the Ethics Line for Group employees and third parties in **Canada, the United States and Puerto Rico**, as an additional channel for raising questions and/or reporting possible breaches of the Code of Conduct and Responsible Practices and other Inditex conduct regulations. In keeping with local best practices, the management and administration of this channel has been entrusted to an external supplier. It can be accessed by telephone and via the website, and is available 24/7.

Breakdown of communications by topic ¹⁰⁰

In 2021, the Ethics Committee handled a total of 257¹⁰¹ cases (315, 310 and 302 cases in 2020, 2019 and 2018, respectively).

Of these 257 cases processed by the Ethics Committee, 63 were linked to diversity and potential discriminatory behaviour or workplace/sexual harassment or other potential violations of fundamental rights. Of the cases closed after the relevant inves-

tigations, in four of the cases handled by the Ethics Committee, the existence of inappropriate conduct has been confirmed, although in none of the cases evidence of discriminatory and/or harassment has been observed, leading to the adoption of the appropriate measures, which in one case involved the termination of the employment relationship with the employee. Of the closed cases, also, no human rights violations in relation to suppliers of goods and services were observed either.

In 2021, nor have there been any significant (firm) legal actions registered in the Inditex Group, either through the Ethics Line or through other available channels, in connection with unfair competition and monopolistic and anti-trust practices.

Cases regarding corruption and bribery¹⁰²

Over the course of financial year 2021, the Ethics Committee dealt with 16 cases related to corruption and bribery between private individuals. Of the cases closed, corrupt practices were confirmed in two instances. In one of the cases the employee was dismissed and in the other evidence of irregular practices by an external employee was obtained, leading to the adoption of the relevant remedial, mitigating and/or preventive measures within that company in order to be able to maintain the commercial relationship with said service supplier. In none of those cases relevant aspects affecting the Company were observed.



100. In accordance with the Navex classification.

101. The total number of cases handled by the Ethics Committee does not include those that further to a preliminary review, are deemed to be beyond the scope of its authority. Including these latter, the total number of registered case amounts to 389.

102. Cases of this kind are included in the 'Business Integrity' category.



During 2021, 2020, 2019 and 2018, the Group has not been aware, either through its Ethics Committee or through other means, any legal proceedings concerning corruption or bribery having been brought against the Company.

During financial year 2021, the Ethics Line for U.S., Canada and Puerto Rico handled 77 cases in total (74 and 76 in 2020 and 2019, respectively), 72 concerning the United States, and 5 concerning Canada (59 and 64 concerning the United States, and 15 and 12 concerning Canada in 2020 and 2019, respectively).

Training, communication and awareness-raising

Internal and external communication and dissemination

The training of our employees and suppliers is key to building and growing our Compliance System. We trust them fully to uphold **the values, principles and ethical standards of conduct** that make up our corporate ethical culture.

At Inditex we promote the **communication and dissemination of the internal regulations** linked to the Group's Compliance System and, in particular, to

the Model of Criminal Risk Prevention. The Company disseminates and discloses the rules of conduct in force to all those bound by them, keeping them informed of the way in which Inditex pursues its compliance objectives.

Accordingly, the policies, procedures and instructions that make up the Inditex Group's Compliance System are available to all employees on the corporate intranet (INET), and can be accessed from any device.

Furthermore, the **'Compliance'** tab on the corporate website contains the main compliance regulations, publicly available to all our stakeholders. Especially notable are the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the Integrity Policies of the Group, at the apex of the pyramid of the Group's conduct policies and the cornerstone upon which the Inditex Compliance System rests.

Likewise, in order to ensure our formal commitment, at the highest level, to the ethical and responsible behaviour that is part of our corporate ethical culture, and to the Compliance System, the **Compliance Function**, which is managed by the General Counsel's Office, is responsible for:

- **Adequately informing and updating** the members of the Board of Directors of Inditex, by means

of quarterly follow-up reports, in relation to (i) the work carried out by the Compliance Function, (ii) specific projects underway, (iii) the activities and results of the supervision of the Inditex Group's Model of Criminal Risk Prevention, and (iv) the status of the cases handled by the Ethics Committee.

● **Regularly report the compliance regulations** to all the officers and other supervisors of Group areas and activities (i.e., brand directors, directors and heads of corporate areas, directors of subsidiaries in other markets and their CFOs and

other directors, supervisors and heads of departments and activities), reminding them of their obligation to disclose the content of the regulations to all staff under their respective areas of responsibility. When identifying other possible addressees, the Compliance Function also takes into account the specific scope of the regulation being disseminated.

Over the course of 2021, the Compliance Function **disseminated and published** the following regulations on INET:

Regulation	Category	Date of approval
Store Disinfection Service Instruction	Instruction	1/03/2021
Store Cleaning Service Instruction	Instruction	1/03/2021
Instruction on Permission Management for SFI Compras Users	Instruction	1/03/2021
Personal Data Protection Procedure from Data Design and Processing	Procedure	10/05/2021
Corporate Security Policy	Policy	8/06/2021
Instruction for carrying out Risk and Impact Assessments in connection with Personal Data Protection	Instruction	18/08/2021
Procedure for Storing Personal Data	Procedure	27/08/2021
Procedure for Compliance Management regarding Personal Data Protection and Privacy – DPO Statute	Procedure	27/08/2021
Procedure for Providing Personal Information to Financial Institutions	Procedure	2/09/2021
Criminal Risk Prevention Policy – Mexico	Procedure	20/09/2021
Procedure for Security Personnel at Facilities	Procedure	29/11/2021
<i>Workplace Surveillance Policy (Australia)</i>	Policy	22/12/2021
<i>Corporate Parental Leave Policy (Australia)</i>	Policy	22/12/2021

Training measures

The promotion of the corporate ethical culture and the Compliance System of the Inditex Group is based on the implementation of training measures adapted to the risk profile of the different groups of employees that form part of Inditex. In this regard, at Inditex we periodically prepare specific content in accordance with the training needs of each group.

In particular, the Criminal Compliance Training Plan, which responds to the criminal compliance training

required by international standards and Circular 1/2016 of the Spanish Public Prosecutor's Office. This training plan is based on the Criminal Risk Map, created from the Matrix following its review and update and, consequently, Inditex has set the target of delivering training on the various risk events that are significant for the Company. This Plan is reviewed and, where applicable, updated annually in order to adapt it to the Map, which determines the training needs in connection with criminal Compliance.

Consequently, the Plan determines and identifies the beneficiaries of the training, namely Inditex employees who perform their jobs in areas with associated risks qualified as “high” in the Matrix, that is: (i) those who are responsible for the management of controls associated with a risk event; (ii) those who are involved in product purchase or contract third party supplies or services; (iii) those who, although not responsible for the management of a given control, take part in the control configuration process; and (iv) Group directors and authorised representatives.

In addition, within the framework of the Inditex Group’s current compliance training plan, we highlight the following **training actions** implemented in 2021:

New hires

All new Inditex Group hires receive from People teams **initial information on the Code of Conduct and Responsible Practices** and the Ethics Line, which they undertake to observe upon signing their employment contract. The contract includes a clause on adherence to this Code, or the relevant certification.

Considering the number of new hires during financial year 2021 in relation to the average workforce, 30.9% of all Group employees have received information concerning the Code of Conduct and Responsible Practices (11% of employees in 2020 and 29% in 2019 and 2018, respectively), undertaking, through their express acceptance, to comply with them, as per the following breakdown:

%Total				
Geographic Area	2021	2020	2019	2018
Spain	14%	2%	15%	14%
Rest of Europe	35%	11%	32%	33%
Americas	5%	17%	34%	42%
Asia & Rest of the world	43%	25%	45%	46%
Total	31%	11%	29%	29%

%Total				
Job classification	2021	2020	2019	2018
Management	2%	0.7%	2%	3%
Supervisor	2%	0.4%	2%	4%
Specialist	37%	13%	35%	34%
Total	31%	11%	29%	29%

Furthermore, in 2021 new hires received training in connection with Compliance:

• From the People team:

Group	Topic	Region	Attendees
New hires		Spain	3
		South Korea	1
		Germany	1
New hires	<i>The How matters</i>	Russia	2
		Mexico	1
		Croatia	1
		Sweden	1

•From the Compliance function:

Group	Topic	Region	Attendees
New Hires			
Foreign subsidiaries legal counsel	<i>Ethics and Compliance</i>	Nordic countries, Croatia, Russia	4
Headquarters employees	<i>Ethics and Compliance</i>	Spain	3

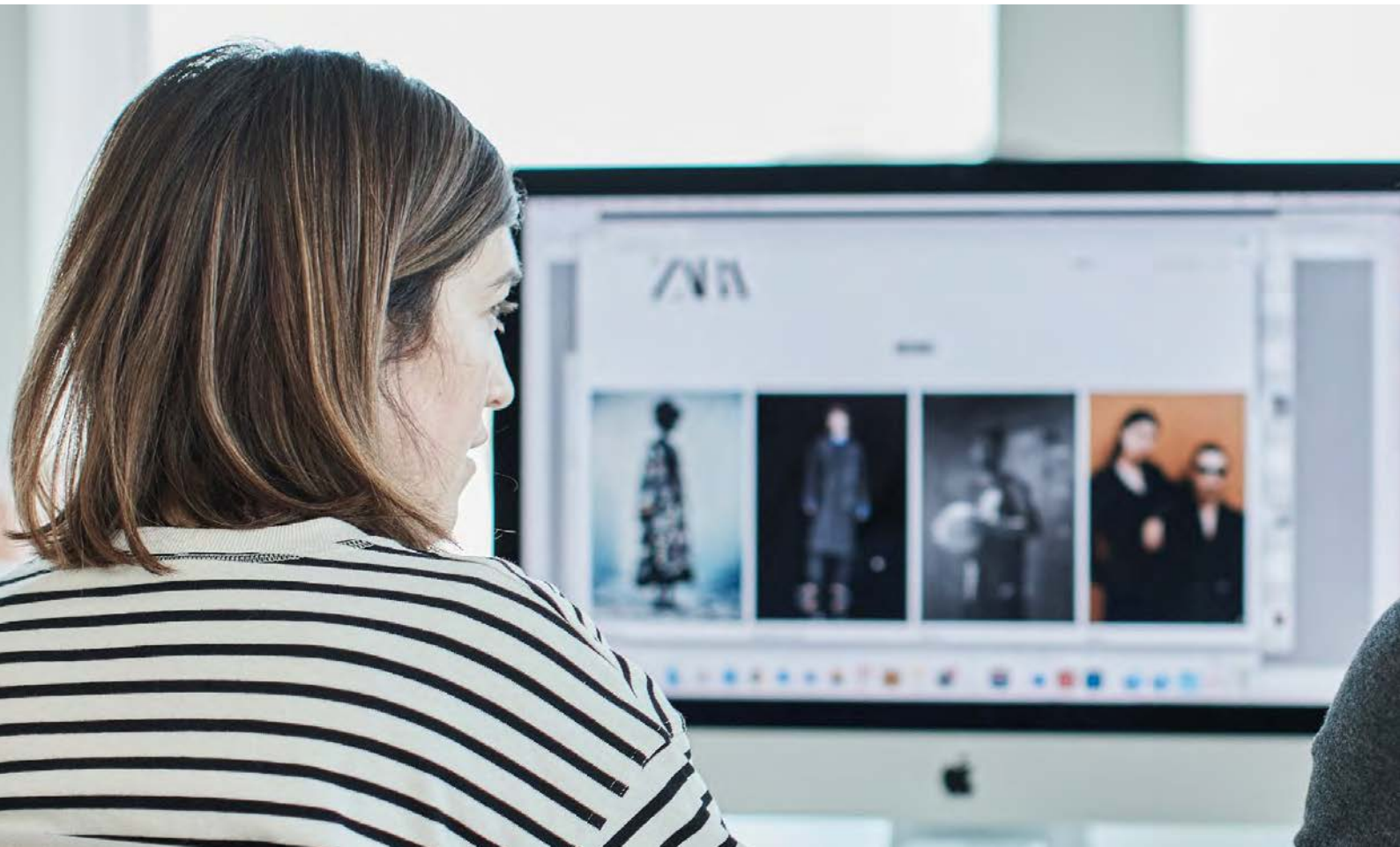
Current employees

We regularly provide training, either in-person or online, aimed at groups who, either because of their post and responsibilities or because of the type of activity they carry out, are exposed to a **greater risk of compliance breaches** and, in particular, to crimes related to corruption among private individuals.

In this regard, members of the Group's governing and executive bodies, due to their responsibilities and functions, receive periodic training.

In 2021, the Compliance Function held the following training sessions:

Group	Topic	Region	Attendees
Governing Bodies Senior Management			
Zara Holding Supervisory Board	Ethics and Compliance	Netherlands	18
Brands Management	Ethics and Compliance	Spain	4
Subsidiary management	Ethics and Compliance	France, Switzerland, Austria, Germany, Nordic countries, Turkey (ITX Trading)	5
Bangladesh Management	Ethics and Compliance	Bangladesh	1
Senior Management	Ethics and Compliance	Spain (online)	15
Corporate office			
Corporate, brands, logistics and factory staff	Ethics and Compliance	Spain	3,820
Corporate staff foreign subsidiaries	Ethics and Compliance	Austria, China, Belgium, USA, Switzerland (Retail+ITX Trading), Germany, Nordic countries, France, Turkey, Mexico, Canada	511
Staff bound by the Internal Regulation of Conduct (IRC)	Internal Regulation of Conduct (IRC)	Spain and Mexico	4
ITX Trading staff	Ethics and Compliance	Switzerland and Turkey	73
Stores Logistics-distribution Factories			
Zara Home stores area managers	Ethics and Compliance	Spain and subsidiaries	1,244
		Serbia	85
		Slovakia	5
		Bulgaria	268
Store staff	'Buenos días' – Compliance	Austria	267
		France	70
		Greece	6,082
		Turkey	558
		Ukraine	242



With regard to the above, it is worth highlighting the online training, provided in October and November 2021 and in January 2022, to all our headquarters employees at all the Group’s brands in Spain, including Tempe. The training focused mainly on disseminating our ethical and Compliance culture and on why the how matters, as well as on the organisation of the Compliance Function, essential internal regulations (Code of Conduct and Responsible Practices, most notably concerning the prevention of corruption, fraud and bribery and conflicts of interest), Integrity Policies and the Ethics Line, and on where this information is available by all staff.

This is one of our most important training areas, insofar as: (i) This training was received by employees who, in the course of their professional activity, have frequent relations with suppliers and/or officials or public authorities (primarily commercial teams). The workforces of the commercial teams of those brands represent 55% of the total number of employees in

the Group’s commercial teams (43%, 30% and 37% employees in 2020, 2019 and 2018, respectively); and (ii) training has been broadened to include employees from other departments and areas of headquarters who, while not belonging to the commercial teams, are also exposed to Compliance risk, which represents a total of 56% of the staff of Spain headquarters.

Accordingly, and in particular, 65% of Senior Management have received compliance training (65%, 33% and 100% of Senior Management in 2020, 2019 and 2018, respectively).

Moreover, it is essential to convey the corporate ethical and compliance culture and to raise awareness among third parties with whom we have direct business dealings. Thus, we highlight the online training sessions on compliance and corporate ethical culture provided throughout 2021 by the Compliance Function to the supplier cluster located in Bangladesh, as shown below:

Group	Topic	Region	Attendees
Suppliers	Ethics and Compliance	Bangladesh	117



Lastly, in October 2021, the new e-learning platform Train was launched with a channel dedicated to 'Culture and values'. This channel contains mandatory compliance training for all the workforce with access to the platform in corporate offices in Spain. It includes a short introductory video and a section on the Code of Conduct and Responsible Practices, another on 'Responsible Creativity' and a third on the need for respecting privacy: a core value for Inditex. 471 employees completed that course.

The Compliance Function will continue working to make more Compliance content available to employees through this channel on the e-learning platform.

In addition, Compliance content is being compiled for the e-learning platform for suppliers in cooperation with ITXTrading.

Lastly, it is notable that the Compliance Function works in conjunction with other corporate areas in a Framework Compliance Training Plan that will be implemented from 2022 onwards. This Plan will be presented to the Audit and Compliance Committee at its March 2022 meeting and includes, among others: (i) the analysis of applicable legislation, risks to

which the Company is exposed and the prioritisation of the groups at most risk; and (ii) a catalogue of training actions. This Plan will be periodically reviewed and the catalogue of training actions will be assessed and updated annually.

With this Plan, Inditex fulfils one of the essential pillars of any Compliance System, namely training, arranging under a single Compliance umbrella all training offered by the corporate areas tasked with compliance duties. The aim is to guarantee uniform and robust control of all the training provided at Group level so as to mitigate and/or avoid potential compliance breaches and help build a solid ethical and compliance culture shared by all our stakeholders (employees, suppliers, etc.)

Awareness measures

Acceptance of the Code of Conduct:

All our employees adhere to the Code of Conduct and Responsible Practices and receive specific training on the Code when they join the Group.

Furthermore, since November 2020, our headquarters and office employees of all the brands in Spain, as well as the employees of the headquarters in France and Portugal, must accept our Code of Conduct and Responsible Practices every time they access the Company's IT systems with their computers, prior to such access. In 2021, this initiative was implemented in most of the countries where the Group operates and has employees. Implementation of this initiative is scheduled for completion in 2022.

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

Annual reminder of gift ban – Ethics Committee:

Annually, an email is sent from the Ethics Committee to remind recipients of the provisions of the Code of Conduct and Responsible Practices and of the Policy on Gifts and Business Courtesies, regarding the acceptance and receipt of gifts from suppliers, along with a letter template to be sent to the suppliers reminding them of such prohibitions. In 2021, for the first time this email was sent to all headquarters employees of the Group's brands in Spain and to the officers and Compliance Delegates of the Group's foreign subsidiaries.

Compliance section in Intranet (INET) and corporate website::

In order to achieve the highest possible degree of dissemination and awareness of our corporate ethical culture, all our internal rules of conduct are published and easily accessible on our corporate website, in the 'Compliance' section, 'Corporate Ethics' sub-section, and on INET for our employees. Below is a breakdown of the visits to INET, to Compliance-related content and to the 'Compliance' section:

43.518

VISITS TO INET'S COMPLIANCE SECTION (TOTAL)**Other communication and awareness actions**

Furthermore, at Inditex we implement a number of dissemination and internal communication initiatives for our employees, in particular the following: (i) notices on the Code of Conduct and the Ethics Line displayed in the stores of the various brands and markets, providing direct access to these documents in the local language via a QR code, (ii) the publication of online news capsules on INET and (iii) other communication and awareness actions (ethics/integrity sessions, push notifications, etc.).

Additionally, all the Inditex Group's stores and its retail concepts in Europe, Asia and America currently have notices in the workplaces. These notices show a QR code through which our employees can access the content of the Code of Conduct and the Ethics Line.

5.9.3. Good corporate governance

GRI 102-5; 102-8; 102-18; 102-19; 102-20; 102-22; 102-23; 102-24; 102-26; 102-27; 102-28; 102-29; 102-31; 102-33; 102-34; 102-35; 102-36; 102-37; 102-38; 102-39; 103-2; 103-3; 201-3; 405-1 AND 405-2

2021 MILESTONE**The Board of Directors of Inditex agrees to appoint Marta Ortega as Chair, and Óscar García Maceiras as Chief Executive Officer.**

In November 2021, Inditex's Board of Directors approved the appointment of Marta Ortega Pérez as Chair of the Group, as a proprietary director, effective from 1 April 2022. Furthermore, Óscar García Maceiras was appointed as the Chief Executive Officer of Inditex with immediate effect.

Corporate governance means the manner in which companies are organised, managed and controlled. It is therefore a general and transversal part of the management and organisational framework of the Compliance System which seeks to ensure compliance at all times, at the highest level, i.e., by the management team and the members of the Board of Directors, with the existing rules, recommendations and best practices in this area.

Inditex has set up a Corporate Governance System which is an essential part of corporate Compliance, comprising a series of rules, procedures and mechanisms to guarantee that the directors and the management team, who are responsible for the governance of the Company, act **diligently, ethically and transparently** in the exercise of their duties, are accountable for their activity—which is subject to verification and control, both internal and external—and at the same time ensure the balance of powers and the respect and equality of all our shareholders, especially non-controlling interests.

It is Inditex's Board of Directors responsibility to ensure that the **Company fulfils its social and ethical duties** and its duty to act in good faith in dealings with our employees and third parties, that no person or small group of persons holds decision-making power within the Company that is not subject to checks and balances, and that no shareholder receives privileged treatment with respect to the others.

The Board performs its duties in accordance with the corporate interest, meaning the **long-term viability and maximisation of the value of the Company in the common interest of all our shareholders**, which must not prevent consideration of the other legitimate interests, public or private, that converge in the course of our business activity, and especially of our stakeholders: our employees, customers, and suppliers, and civil society at large, determining and reviewing its business and financial strategies according to this criterion, endeavouring to strike a reasonable balance between the proposals chosen and the risks undertaken.

Consequently, the goal of maximising the Company's value may only be seen as the continuous creation of value for each and every one of our main stakeholder groups.

In short, Inditex has instrumented a concept of good corporate governance that is a strategic vehicle for developing our ethical, efficient and competitive business model.

To achieve these objectives, applicable legislative developments and recommendations are implemented and good corporate governance practices are systematically strengthened within the main body overseeing corporate governance, namely the Board of Directors, as well as its committees. In the process to approve and/or amend any internal regulations, priority is given to establishing standards that improve governance and, therefore, the confidence of investors, shareholders and other stakeholders.

Thus, in the financial year 2021, Inditex's internal corporate governance regulations were amended to adapt them to the new developments and modifications introduced pursuant to Law 5/2021, of 12 April, which amends the revised text of the Spanish Companies Law, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, on fostering the long-term engagement of shareholders in listed companies (hereinafter, 'Law 5/2021').

Inditex's Corporate Governance System achieves full compliance with the regulatory requirements set forth in the applicable legislation, and practically total adherence to the recommendations outlined in the Good Governance Code ('GGC') of Spanish National Securities Market Commission (CNMV).

The 2021 Annual Corporate Governance Report, approved by the Board of Directors at its meeting of 15 March 2022, which is available on our corporate website (in the 'Compliance' section, 'Good Corporate Governance' sub-section, 'Annual Corporate Governance Report') and on the CNMV website, provides comprehensive and reasoned information on the Company's governance structure and practices.

5.9.3.1. Organisation and operation of corporate bodies

Annual General Meeting:

The Annual General Meeting is the supreme and sovereign body for expressing the will of our shareholders.

Inditex structures and makes available to its shareholders the means necessary for guaranteeing equal treatment and the exercise of their rights to attend, and encourages maximum participation in the Meeting.

Accordingly, in a context still shaped by the existence of specific measures restricting mobility in certain areas of Spain, and in order to guarantee the normal functioning of the Company and the attainment of its targets, as well as to protect the interests of our shareholders and other stakeholders, the Annual General Meeting was held at first call on 13 July 2021, **with shareholders and proxy holders attending both in person and virtually, by remote, real-time video-conferencing**. All directors attended the meeting in person with the exception of Mr Amancio Ortega Gaona.

Considering the special circumstances of uncertainty unleashed by the outbreak of covid-19, at the Annual General Meeting held on 14 July 2020, our shareholders were allowed to attend and participate remotely, and Inditex's internal regulations were amended to enable this option for future financial years, taking into account the circumstances prevailing at each given time.

In addition, at the 2021 meeting shareholders approved the partial amendments to the Articles of Association and the Regulations of the Annual General Meeting in order, among other purposes, to permit virtual only Annual General Meetings, in accordance with the provisions of the new section 182 bis of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated text of the Spanish Companies Act.

Board of Directors and Committees

The Board of Directors is tasked with the management, administration and representation of the Company (except in matters reserved for the remit of the Annual General Meeting), and it is therefore the Company's most senior decision-making, supervisory and control body.

In accordance with Inditex's internal regulations, the Board of Directors generally delegates the manage-

ment of ordinary business to the executive bodies and to our management team, concentrating its activity on the **general supervisory function**, which includes guiding the policies of Inditex, controlling the management bodies, assessing the performance of officers, adopting the most important decisions for the Company and acting as a liaison with our shareholders.

The Board of Directors currently consists of 11 members. Members are re-elected every four years.

In discharging its duties, the Board of Directors also has an Executive Committee and a series of delegated and specialised Committees according to matters and competences: (i) the Audit and Compliance Committee; (ii) the Nomination Committee; (iii) the Remuneration Committee; and (iv) the Sustainability Committee.

The composition of the governing bodies at 31 January 2022 is as follows:

Composition of the governing bodies at 31 January 2022

Board of Directors	Audit and Compliance Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Executive Chairman: Mr Pablo Isla Álvarez de Tejera	-	-	-	-
Deputy Chairman: Mr José Arnau Sierra	Member	Member	Member	Member
Chief Executive Officer: Mr Óscar García Maceiras	-	-	-	-
Members				
Mr Amancio Ortega Gaona	-	-	-	-
PONTEGADEA INVERSIONES, S.L. (represented by Flora Pérez Marcote)	-	-	-	-
Bns. Denise Patricia Kingsmill	Member	Member	Member	Chair
Ms Anne Lange	Member	Member	-	Member
Ms Pilar López Álvarez	Chair	Member	-	Member
Mr José Luis Durán Schulz	Member	-	Member	Member
Mr Rodrigo Echenique Gordillo	Member	Member	Chair	-
Mr Emilio Saracho Rodríguez de Torres	Member	Chair	Member	-
Secretary of the Board				
Mr Javier Monteoliva Díaz	Secretary, non- member	Secretary, non- member	Secretary, non- member	Secretary, non- member

Work was carried out in 2021 to design and implement a new corporate governance model at Inditex (to be effective gradually and fully operational from 1 April 2022), in which the roles of Chair of the Board of Directors and Chief Executive Officer will be separated, and the position of Chair will be a non-executive role, in accordance with the recommendations of institutional investors and proxy advisors in Spain.

In this regard, the Board of Directors of Inditex, at its meeting on 29 November 2021, acting on a prior proposal by the Nomination Committee, passed by unanimous vote, among others, the following resolutions:

- To accept the resignation of Mr Pablo Isla Álvarez de Tejera as Executive Chairman and Member of the Board of Directors of Inditex and its Executive Committee, effective from 31 March 2022. Mr Pablo Isla Álvarez de Tejera shall continue to serve as Executive Chairman until that date.
- To appoint by co-opt Ms Marta Ortega Pérez as Proprietary Director to cover the vacancy produced by the resignation of Mr Pablo Isla Álvarez de Tejera from his post as Executive Chairman, and to appoint her as (non-executive) Chair of the Board of Directors, in both cases effective from 1 April 2022.
- To accept the resignation of Mr Carlos Crespo González as Chief Executive Officer and Member of the Board of Directors of Inditex and its Executive Committee and appoint him Chief Operating Officer & Head of Digital and Sustainable Transformation, in both cases effective immediately.

- To accept the resignation of Mr Óscar García Maцейras as General Counsel and Secretary of the Board of Inditex and its various Committees and appoint him by co-optation as executive director and Chief Executive Officer, in both cases effective immediately.

Mr Isla's resignation came in the context of his mutually agreed departure from the Company and completes the process of generational handover piloted by him and by the founder, controlling shareholder and director of the Company, Mr Ortega, so as to ensure an orderly and planned succession of the Chair.

At the same meeting, the Board of Directors also approved the creation of a Management Committee as part of the Company's new organisational structure, as the Company's new Management coordination body and in support of the Chief Executive Officer in discharging his duties. Said Committee is conducive to collegiate decision-making in accordance with international best practices on corporate governance.

Detailed information on the regulation, organisational and operational rules, composition, mission and competencies and the main activities carried out or lines of action of the Audit and Compliance, Nomination, Remuneration and Sustainability Committees for the financial year 2021 is provided in the Annual Corporate Governance Report (ACGR), as well as in the relevant reports on proceedings, which will be published on the Company's website in accordance with GGC Recommendation 6.



Executive Committee

The powers of the Board are delegated to the Executive Committee, except those that cannot be delegated by law or under the Articles of Association, and those others necessary for the responsible exercise of the general supervisory function of the Board of Directors.

In 2021, the Executive Committee did not hold any meetings.

The Committee's composition on 31 January 2022 was as follows:

The Committee's composition on 31 January 2022

DIRECTOR	POSITION	CATEGORY
Mr Pablo Isla Álvarez de Tejera	Executive Chairman	Executive
Mr José Arnau Sierra	Deputy Chairman	Proprietary
Mr Amancio Ortega Gaona	Member	Proprietary
Mr Óscar García Maceiras	Member	Executive
Ms Pilar López Álvarez	Member	Independent
Mr José Luis Durán Schulz	Member	Independent
Mr Rodrigo Echenique Gordillo	Member	Independent
Mr Emilio Saracho Rodríguez de Torres	Member	Independent

5.9.3.2. Key indicators of the Inditex's Corporate Governance System

ITEM	2021	2020	2019	2018
Quorum for attendance at the Annual General Meeting	88.74%	88.72% ⁽¹⁰³⁾	87.62% ⁽¹⁰⁴⁾	88.24% ⁽¹⁰⁵⁾
Number of directors	11	11	11 ¹⁰⁶	9
Executive Directors	2	2	2	1
Independent Directors	6	6	6	5
Proprietary Directors	3	3	3	3
Meetings of the Board	7	7	5	5
% of attendance	100%	100%	100%	100%
Meetings of the Audit and Compliance Committee	5	5	5	5
% of attendance	100%	100%	100%	100%
Meetings of the Nomination Committee	4	4	5	5
% of attendance	100%	100%	100%	100%
Meetings of the Remuneration Committee	3	4	5	3
% of attendance	67%	100%	100%	100%
Meetings of the Sustainability Committee	4	3	-	-
% of attendance	100%	100%	-	-

103. Of which 24.37% is free float.

104. Of which 23.28% is free float.

105. Of which 28.95% is free float.

106. At the Annual General Meeting held on 16 July 2019, the number of members of the Board of Directors was increased from nine (9) to eleven (11), at which time Mr Carlos Crespo González was appointed as the new Chief Executive Officer and a vacancy was created. Such vacancy was filled by co-option appointment by the Board of Directors, at its meeting of 10 December 2019, and subsequently ratified by the Annual General Meeting on 14 July 2020

5.9.3.3. Main lines of action by Inditex corporate bodies in 2021:

- Update of the internal corporate governance regulation governing the activities of the various bodies in order to adapt them to the new developments introduced by Law 5/2021.
- The agenda of matters discussed by Inditex corporate bodies shaped by sustainability:
 - Update at the 2021 AGM of the sustainability commitments (announced at the 2019 AGM).
 - Update of the Business Plan to bring it into line with the economic and social reality in the wake of the pandemic crisis and strategic priorities.
 - Monitoring of the degree of compliance with the sustainability goals announced at the 2021 AGM.
 - Analysis of the financial impact of climate change.
- Design and approval of a new Directors' Remuneration Policy for the financial years 2021, 2022 and 2023 and the new Long-Term Incentive Plan, increasing the importance and weight of sustainability metrics in long-term variable remuneration from 10% to 25%.
- Planning of the process of generational handover and succession of the Chair and the resulting change in the corporate governance structure.

5.9.3.4. Remuneration to Directors and Senior Management

Directors' remuneration

Inditex has a **Directors' Remuneration Policy**, approved by the Annual General Meeting on 13 July 2021, in force for the financial years 2021, 2022 and 2023. This Policy is available on the Company's website in the new section entitled 'Compliance', under 'Good Corporate Governance', 'Annual General Meeting'.

2021 AGM

Directors' remuneration policy for FY 2021, 2022 and 2023	Favourable votes: 98.42%
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Since the approval in 2015 of the first Directors' Remuneration Policy, the Annual Reports on Remuneration to Directors for the financial years 2017, 2018, 2019 and 2020 have taken into account and described in detail the criteria laid out in the policy, receiving broad support from shareholders in the advisory say-on-pay and, in addition, from institutional investors and Proxy Advisors.

2021	2020	2019	2018
96.74%	99.26%	99.39%	99.36%

This new Remuneration Policy does not envisage significant variations with respect to the previous one (approved in 2018 and which the current one replaced), although it does introduce the following main new developments:

- Variable annual remuneration is afforded more weighting so as to strengthen the pay-for-performance equation, in line with market practice and with the corporate governance guidelines.
- The possibility of increasing the weighting of non-financial targets to which annual variable annual remuneration is linked is established.
- The maximum amount of long-term variable remuneration, expressed as a percentage of fixed remuneration, is adjusted; and
- The possibility of increasing the weighting of non-financial targets to which long-term variable remuneration is linked is established.

As considered by the Board of Directors, following a favourable report by the Remuneration Committee, this Remuneration Policy:

Is reasonably proportionate to the Company's size, its financial position and the market standards at comparable companies;

It establishes the channels to avoid undertaking unnecessary risks, permitting an adequate and efficient management thereof; and

It is aligned with the long-term strategic priorities of the Company and the interests of its shareholders and other stakeholders.

In financial year 2022 work is ongoing on the amendment of the Remuneration Policy so as to adapt its content to the new organisational structure outlined in section a) above, and which will be submitted to shareholders for their approval at the next Annual General Meeting.

Remuneration of directors in their status as such:

The remuneration of the directors in their status as such consists of a fixed annual remuneration for each of them, depending on their membership and positions held on the Board and its Committees, the amount of which is decided by the Annual General Meeting for each financial year or for periods established by the General Meeting. This amount is stipulated expressly in the Remuneration Policy and constitutes the only remuneration received by the Directors for serving on the Board and its Committees.

The Remuneration Policy sets forth the necessary criteria for determining the maximum annual amount for all Directors, regardless of their category.

Executive Directors

The principles and rationale of the Remuneration Policy in relation to the remuneration of executive directors for the performance of executive duties are, among others, as follows:

- **Moderation:** remuneration is proportionate to the Company's description and the business model, always based on the principle that it should be neither excessive nor insufficient, in order to avoid assuming inappropriate risks.
- **Link to strategy and Pay for Performance:** a significant part of the remuneration is linked to achieving results that reflect the Group's strategic priorities.
- **Alignments with the stakeholders, sustainability and environmental commitment:** the design of the Remuneration Policy is reviewed periodically to ensure alignment between the achievement of results and the sustainable creation of shareholder value.

Progress in Environmental, Social and Governance (ESG) matters and the environmental commitment are important criteria in Inditex's remuneration programme.

In addition, the interests of the employees as a whole and other stakeholders are taken into account when determining the remuneration of the executive directors.

- **Long term:** it is consistent with the long-term values and objectives of the Company.

The executive directors' remuneration package consists of a fixed component, a short-term or annual variable remuneration component and a long-term or multi-year variable remuneration component.

The **variable components** of executive directors' remuneration, linked to achieving the Group's targets, are sufficiently **flexible** so as to allow its shaping to the extent that, under certain circumstances, it is possible that no variable remuneration may be received at all, in which case the fixed remuneration would represent 100% of the total remuneration. **In no case** are there **guaranteed variable remunerations**.

In 2021 the Annual General Meeting approved a new long-term incentive plan, which is a continuation of the previous plan:

- Two overlapping cycles of at least a three-year period of measurement of objectives.
- Mainly share-based.
- Linked to metrics consistent with Inditex's long-term strategic objectives, including sustainability objectives. These objectives are aligned with the Group's sustainable strategy, which takes into account all Inditex's stakeholders, and encourage the implementation of this strategy.
- Retention of shares granted for at least one year.

The main new development under this new Plan is the increase in the weighting of sustainability metrics from 10% to 25%.

During financial year 2021, the overall remuneration of the Board of Directors amounted to 21,232 thousand euros, as set forth in section C.1.13. of the 2021 Annual Corporate Governance Report, approved by the Board of Directors at its meeting of 15 March 2022.

Remuneration of Senior Management

The aggregate remuneration of the members who were part of the Senior Management during financial year 2021 amounted to 69,204 thousand euros, as set forth in section C.1.13. of the 2021 Annual Corporate Governance Report, approved by the Board of Directors at its meeting of 15 March 2022.



The average remuneration accrued in 2021 amounted to 3,294,158 euros (1,323,636, 1,434,163 and 1,944,018 euros in 2020, 2019 and 2018, respectively). The average remuneration of female Senior Managers was 2,800,975 euros and that of male Senior Managers was 3,455,140 euros (993,144 euros and 1,426,915 euros in 2020; 1,033,309 euros and 1,555,634 euros in 2019; and 1,725,866 euros and 2,008,180 euros in 2018, respectively).

5.9.3.5. Vision and challenges: towards sustainable governance

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

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

Accordingly, the Inditex Corporate Governance System provides a comprehensive vision that promotes responsible governance, in order to preserve the interests of our shareholders, while at the same time reflecting and taking responsibility for the environmental, social and reputational impact of our activity, in the quest to maximise the long-term corporate interest through the necessary continuous creation of value for each and every one of our stakeholders.

The result is a **socially responsible and sustainable business model**, in continuous participatory dialogue and aimed at the common benefit of all related strata.

Our Corporate Governance System integrates sustainability by means of the following elements:

Integration of sustainability into the Company's management and corporate strategy

In order to adapt the organisational structure at the most senior level to the Group's strategy, clearly oriented towards social and environmental sustainability, at its meeting of 11 June 2019, the Board of Directors approved the creation of the Sustainability Committee¹⁰⁷, as a delegated committee of an informative and consultative nature, responsible for advising the Board on matters within its sphere of compe-

107. More information in section 4.2. Sustainability, the basis for transformation of this Report.

tence and for supervising and monitoring proposals in the areas of sustainability in respect of human rights, social, environmental and product health and safety concerns, as well as for nurturing the commitment to the Sustainable Development Goals.

In other words, the Committee is the body responsible for monitoring our social and environmental sustainability strategy and practices. All of this enables the corporate strategy to be defined, taking into account the opportunities, risks and impacts derived 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 this is faithfully reflected in the Group's Sustainability Policy¹⁰⁸, approved by the Board of Directors at its meeting of 14 December 2020, which merges the previous Environmental Sustainability and Corporate Social Responsibility Policies into one, and reflects the Group's new vision and strategy in terms of sustainability.

Establishing appropriate mechanisms to reflect the expectations of our stakeholders

The Sustainability Committee is also the body responsible for relations with the various stakeholders in the area of sustainability.

In particular, it is tasked with supervising and evaluating—in coordination with the Audit and Compliance Committee in respect of those matters within its competence—both the strategy of communication and relations with the various stakeholders, as well as the procedures and channels of communication in place at Inditex to guarantee proper and seamless communication with them.

Furthermore, the **Social Advisory Board** is the Company's permanent external body which acts in an advisory and consultative capacity in matters of social and environmental sustainability. It is made up of persons or institutions external to and independent of the Group. It arranges and institutionalises dialogue with those spokespersons considered key in the civil society in which we develop our business model and, in addition, it plays an important role in determining the materiality matrix, in which it participates in collaboration with our stakeholders. The Social Advisory Board acts as the main spokesper-

son of the Sustainability Committee, maintaining an effective and continuous dialogue.

The following are members of the Social Advisory Board:

Cecilia Plañol

Ezequiel Reficco

Javier Sardina

Paula Farias

Víctor Viñuales

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

The existence of robust sustainability monitoring mechanisms

The **Sustainability Committee** is responsible for overseeing and monitoring sustainability proposals in human rights, social, environmental and product health and safety aspects, as well as monitoring social and environmental sustainability strategy and practices.

In addition, the Committee is further tasked with supervision and verification of the process of preparing regulated and non-regulated non-financial information. This procedure is carried out in coordination with the **Audit and Compliance Committee**, which is responsible for the ultimate supervision and evaluation of the preparation process and the integrity of the non-financial information included in the Integrated Director's Report, ensuring compliance with all legal requirements, and also dealing with the process of independent verification of this information. Such coordinated action ensures a global view of the effective implementation of policies relative to their respective areas of competence, as well as enhancing the quality of non-financial information made available to the market.

For this purpose, Inditex has also developed 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 aim of this Policy is to establish the framework for action and define the general principles that will

108. More information in section 4.2. *Sustainability, the basis for transformation* of this Report.

govern the Company's reporting of financial, non-financial and corporate information through regulated and non-regulated channels, with the main purpose of ensuring the protection of stakeholders and the orderly functioning of the market. The Sustainability Committee is tasked with guaranteeing the effective application of this Policy.

Among the various principles defined in the aforementioned Policy, we highlight the following: (a) it assumes as a strategic objective the transparency of information relating to the Company in relations with our stakeholders; (b) it ensures that the dissemination of financial, non-financial and corporate information adequately reflects the Company's principles and strategy in environmental, social and governance (ESG) matters; and (c) it ensures that such information when disseminated through non-regulated channels is truthful and consistent with the same information previously disseminated through regulated channels.

The **Audit and Compliance Committee**, as the body responsible for overseeing and controlling the effectiveness of the internal risk management and control systems, oversees and assesses financial and non-financial risks and those deriving from the Group's actions in relation to its social and environmental sustainability practices, and so on.

The members of the Sustainability Committee, including its chair, are also members of the Audit and Compliance Committee. The overlapping presence of directors on both committees and the report that the chair of the Sustainability Committee presents at the meetings of the Board of Directors regarding the main issues discussed at their respective meetings ensure that the most relevant social and environmental sustainability issues are taken into

consideration in the deliberations of the Audit and Compliance Committee, allowing for a better identification of the risks and opportunities associated with these matters.

The **Ethics Committee** is the internal body reporting to the Board of Directors, through the Audit and Compliance Committee, which ensures compliance with the rules of conduct and specifically with the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers.

In order to ensure adequate monitoring, as described in section 5.9.2 Compliance and criminal risk *prevention systems*, above, the Ethics Committee reports to the Audit and Compliance Committee at least every six months.

The link between sustainability performance and the remuneration system for our executive directors and Senior Management

As detailed above, in accordance with the Remuneration Policy, the remuneration package for executive directors consists of a fixed component, a short-term or annual variable remuneration component and a long-term or multi-year variable remuneration component.

This remuneration mix strikes a balance between achieving short-, medium- and long-term objectives, rewarding ongoing achievement, maintained over sufficient time to appreciate the contribution to long-term value creation.

In addition, the variable remuneration of our executive directors, both annual and multi-year, is linked to the fulfilment of certain sustainability targets (environmental, social and corporate governance). These tar-



40%

FEMALE DIRECTORS

goal established by the Board of Directors to be achieved before the end of 2022.



gets are aligned with the Group's sustainable strategy, which takes into account all Inditex's stakeholders, and encourage the implementation of this strategy.

Thus, the Board of Directors agreed to link the annual variable remuneration of the executive directors for the financial year 2021 to, among other criteria, progress in the implementation of Inditex's global sustainability strategy. This progress will be measured according to the indicators announced at the 2021 Annual General Meeting, with a maximum weight of up to 15% of the total annual variable remuneration.

Moreover, in accordance with the new Long-Term Incentive Plan also approved by shareholders at the aforementioned Annual General Meeting in

2021, the weight of sustainability metrics to which the multi-year remuneration is linked has been increased to 25%.

As a result, in financial year 2021, the weight of sustainability goals over total variable remuneration has been at least 20%.

Details of the targets, the measurement criteria and the performance scales for each of the sustainability targets linked to the variable remuneration of the executive directors are set out in the 2021 Annual Report on Directors' Remuneration, approved by the Board of Directors at its meeting of 15 March 2022, and available on the corporate website (in the 'Compliance' section, under 'Good Corporate Governance', 'Remuneration Report') and on the CNMV website.

The linking between sustainability targets and the remuneration system also applies to the Group's Senior Management.

Our commitment to diversity embodied by the composition of the governing bodies

The **Inditex Diversity and Inclusion Policy**¹⁰⁹, approved by the Board of Directors in December 2017, and partially amended in December 2020, establishes the framework that promotes the values of diversity, multiculturalism, acceptance and integration in all the Group's entities and is driven by the most senior levels of the Company.

Thus, the Nomination Committee is the Board of Directors specialised body involved in the process of selection, nomination, ratification and re-election of our Directors. The Nomination Committee's guiding principle is to guarantee diversity in the composition of the various collegiate governing bodies of our Company, including diversity of knowledge, skills, experience, age, international experience or geographic origin and, in particular, gender, among the criteria for consideration.

As the Nomination Committee noted in its analysis of the needs of the Company and of the Board of Directors, included in the relevant report dated 7 June 2021, the following conclusions may be drawn with regard to the current composition of the Board of Directors of Inditex:

- There is diverse membership in terms of origin, knowledge and experience, with particular emphasis on technological profiles and expertise in sustainability in line with the Group's strategic axes.
- There is a balanced representation of men and women.

109. More information in section 5.1.1. Diversity, inclusion, equality and work-life balance of this Report.

These conclusions were ratified by the Board itself, in its report approved on 8 June 2021. Both reports were published on the corporate website when the Annual General Meeting of Inditex was called.

Moreover, Inditex's Nomination Committee advocated that the proposals for the re-election and appointment of directors in the future should be oriented towards maintaining or strengthening the presence in the most senior governing body and its delegate committees of the following: (i) profiles with experience in technology and in the field of sustainability and environmental, social and corporate governance (ESG) issues in general, in line with the Company's priority strategic pillars; (ii) considerable diversity in, among other matters, professional experience, competences, personal skills, sector-specific knowledge, gender and age; (iii) a balanced composition among the different directorship types, ensuring a majority presence of non-executive directors, as well as the presence of a representation of proprietary directors such as to guarantee the existence of effective counterweights; and (iv) the progressive board refreshment, combined with the presence of profiles with broad experience and knowledge of the Company, the Group, the business and the retail sector in general.

In any event, in keeping with the commitments acquired, Inditex's Nomination Committee considered that in the future selection of directors it should be an immediate priority to promote gender diversity, so as to complete the process of meeting the aforementioned targets set for 2022, while not compromising the strictest criteria of suitability and merit in making all appointments.

With regard to gender diversity, the Committee has unceasingly endeavoured to maintain the highest possible levels of female representation. A clear example of this is that in 2019 the 30% target established in the Director Selection Policy in force at the time and recommended by the Good Governance Code for Listed Companies had already been exceeded. Furthermore, in the amendment to Inditex's internal regulations, approved by the Board of Directors at its meeting of 14 December 2020, the Committee established a **new target of 40% of female Directors out of the total number of members of the Board, to be reached before the end of 2022.**

Governing Bodies	%
Board of Directors	36%
Audit and Compliance Committee	43%
Nomination Committee	40%
Remuneration Committee	20%
Sustainability Committee	60%

According to the subsequent analysis carried out by the Nomination Committee, and included in the corresponding report dated November 2021, as well as the suitability report commissioned from an independent external advisor, the appointments of Ms Marta Ortega Pérez, as Proprietary Director and non-executive Chair (although effective from 1 April 2022), and of Mr Óscar García Maceiras, as Executive Director and Chief Executive Officer, mentioned in section a) above, contribute, among other factors, and in terms of diversity, to: (i) strengthening the diversity of the directorship types; (ii) reinforcing the representation of women, exceeding the target of 40% established for 2022; (iii) enhancing experience in areas that constitute strategic priorities of the Company, achieving an adequate balance between skills and experience, appropriate for the interests of the Company and of the Group, combining profiles that have extensive experience and knowledge of the Group, the business and the retail sector in general, together with other profiles with training, skills, knowledge and experience in other areas and sectors; and (iv) a progressive board refreshment, while at the same time ensuring that Inditex's values are preserved and the stability of the project is maintained due to the extensive experience of both professionals.

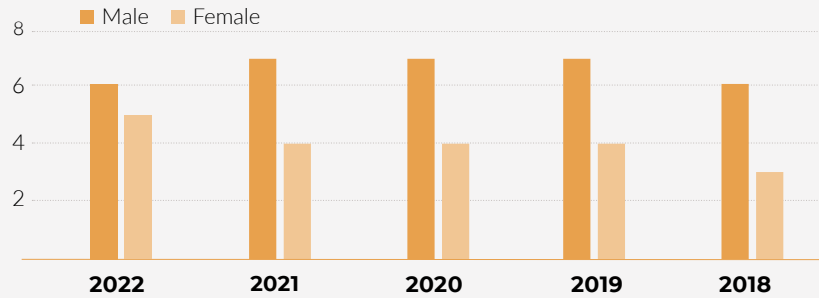
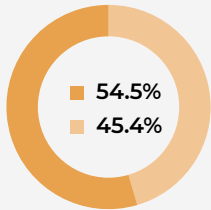
Moreover, the Committee is also responsible for the appointment and removal of members of Senior Management, and must also ensure gender diversity and the promotion of female leadership, **facilitating the existence of a significant number of female senior executives.**

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

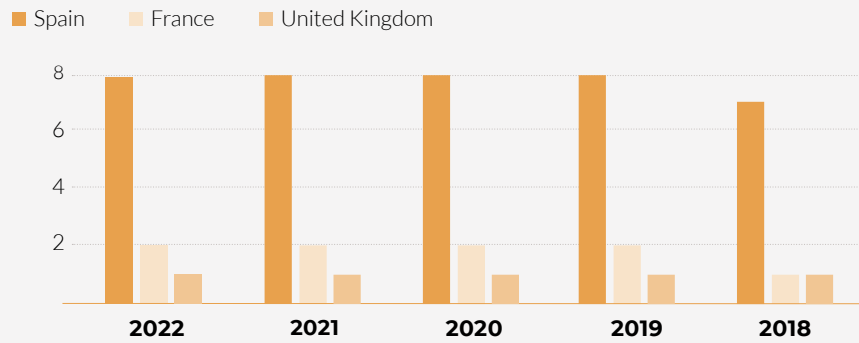
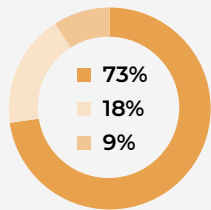
Main diversity indicators applying to the Inditex Board of Directors for the last four financial years (2018, 2019, 2020 and 2021).

BOARD OF DIRECTORS

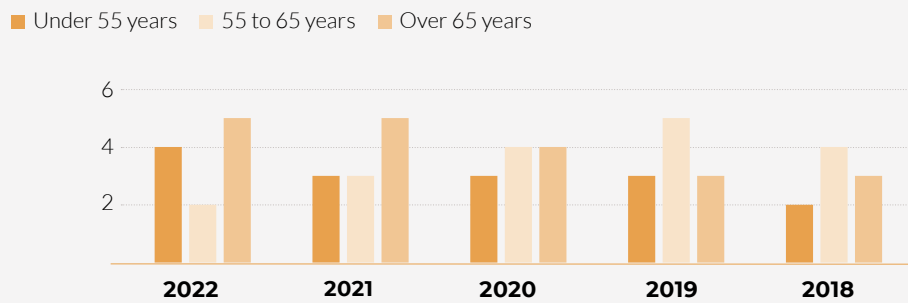
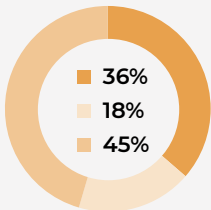
BY GENDER



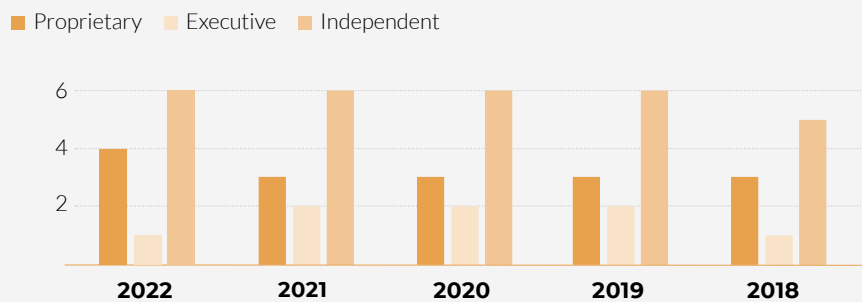
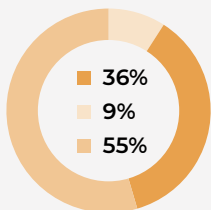
BY GEOGRAPHICAL AREA



BY AGE



BY CATEGORY





Indicators for financial year 2022 correspond to the situation of Inditex’s Board of Directors as at 1st April 2022, date on which the appointment of Ms Marta Ortega Pérez as new director and (non-executive) Chair of the board will become effective, following the departure of Mr Isla, so far Executive Chairman.

Diversity in a company’s governing bodies ensures there are **multiple perspectives**, helping

to identify risks and opportunities and, therefore, to achieve corporate objectives. In addition, the diversity promoted by the governing bodies and Senior Management encourages the promotion of equal opportunities throughout the organisation, as well as nurturing a diverse and inclusive workplace, which contributes fundamentally to the achievement of Inditex’s corporate objectives and a better business performance.



5.10.

Responsible risk management

Related material topics: Risk management and control systems; climate change.



At Inditex, responsible risk management permeates every level of the Company. This effective management enables us to perform strongly and generates a sustainable business performance over time, which is necessary for transformation.

5.10.1. Risk management and control framework

GRI 102-11 AND 102-29

Inditex's **Integrated Risk Management System (IRMS)** establishes the Group's risk management and control framework. The IRMS encompasses the entire Group, at both corporate level and in the various business units and subsidiaries, regardless of their geographic location. It is incorporated in the strategic planning process, in the definition of business objectives, as well as in the Group's day-to-day operations. The Integrated Risk Management System encompasses both financial and non-financial risks (including tax, operational, technology, cybersecurity, legal/regulatory, social, environmental, climate change, political, reputational, corruption-related and other risks). The Group defines a risk to be any potential event, regardless of its nature, that may have a negative impact on the achievement of the business objectives.

The Group's **Risk Management and Control Policy** establishes the basic principles, risk factors and the general action guidelines for managing and controlling the risks that affect the Group. The determination of the Risk Management and Control Policy is a non-delegable power of the Board of Directors. It is the responsibility of this body and the Group's Senior Management to promote it, although its implementation is the responsibility of each and every member of the company. Its application may be extended, in whole or in part, to any individual and/or legal person linked to Inditex. The purpose of the Policy is to provide reasonable assurance in regard to the achievement of the objectives set by the Group in response to the various challenges it faces, providing all stakeholders with an adequate level of assurance to ensure the protection of the value generated.

The Integrated Risk Management System is based on the aforementioned Policy and is developed and supplemented by internal regulations of different levels that govern the management of different risks and apply to different units or areas of the Group. This Integrated Risk Management System coexists with other functions tasked with monitoring specific risk areas. Other relevant risk management policies or regulations in place are detailed below. Inditex's Integrated Risk Management System is based on the 'COSO ERM' methodological framework and the relevant ISO standards, adapted to the Group's needs and specific characteristics. Furthermore, specific evaluation and quantification methodologies are used to tackle specific risks, in particular those relating to the climate.

The Integrated Risk Management System ensures adequate segregation of duties between the various elements of which it is comprised, i.e., between the

areas or business units that assume and manage the risks, and those responsible for coordination, control and supervision. Responsibilities are differentiated between the units and bodies involved based on a **three-lines-of-defence** model. The business units act as the first line of defence, establishing adequate risk management mechanisms and reporting relevant information to the different areas that exercise su-

pervisory functions over the adequacy of the internal control system and to the Risk Management department (reporting to the Senior Finance Management), which act as the second line of defence. The third line of defence is Internal Audit, independently and objectively monitoring the operation and efficacy of the IRMS and reporting to the Board of Directors by means of the Audit and Compliance Committee.

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 in terms of their potential impact, probability and the Group's preparedness to address them.

THREE LINES OF DEFENCE

FIRST LINE OF DEFENCE

BUSINESS UNITS

Reporting of the risks to which the Group is exposed in its respective responsibility areas, including those related to climate.

SECOND LINE OF DEFENCE

RISK MANAGEMENT/ COMPLIANCE FUNCTION

Responsible for coordinating and updating the Integrated Risk Management System to maintain maximum quality levels.

THIRD LINE OF DEFENCE

INTERNAL AUDIT

Independently and objectively supervises the Integrated Risk Management System.



ANNUAL REPORT



QUARTERLY REPORT

SENIOR MANAGEMENT

- ✔ Awareness and dissemination of the importance of the Integrated 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.
- ✔ Setting the level of risk that the Company considers acceptable, based on the objectives and interests of the Company and its stakeholders.

Uniform, standardised and systematic risk identification, assessment and prioritisation processes are in place, based on the concepts of risk appetite, risk tolerance and target risk. The risk factors to which the Group is subject are classified into **six categories**, which are subdivided into lower hierarchical classifications according to their causality: financial, geopolitical, technological, environmental, social and governance risks.

The risk identification process aims to pinpoint, recognise and describe the risks that may prevent the organisation from achieving its objectives. In the identification process, every effort is made to have the best information available, taking as a foundation the knowledge and experience of the areas directly responsible for risk management, complemented, where appropriate, by relevant external sources. Emerging risks are also considered, i.e., those risks that are new, in the process of transformation, or are a novel combination of risks, whose impact, probability of occurrence and cost are not yet well understood.

Risk criteria must be set by Senior Management, in keeping with the Group's objectives and interests, as well as those of its various stakeholders, and are updated periodically. Risks are assessed in terms of residual risk, i.e., the risk remaining after appropriate remedial measures are taken.

The assessment considers three magnitudes for each of the risks: **impact, likelihood of occurrence and level of preparedness**. The Risk Management department periodically (at least annually) asks the various management units to assess and review the different risks and the mitigation measures in place and planned, by means of a system of interviews and questionnaires. A risk register is kept, represented in a risk map, assessing risks according to their overall impact (strong, high, moderate and minor risks). The map contains the critical risks, meaning those which, if they were to materialise, could compromise the achievement of the Group's strategic objectives. The map is periodically reported to the Board of Directors.

RISK MANAGEMENT AND CONTROL FRAMEWORK

IMPACT

Effect that a risk would have if it were to materialise. Risk managers consider the worst-case impact scenario for risk materialisation and assess the impact on each strategic objective based on their own calculations, except for the 'Corporate image and reputation' variable, for which they use a standard questionnaire. To obtain the total risk impact assessment, the result of the variable with the highest impact is considered and increased according to the other affected variables on a weighted basis.

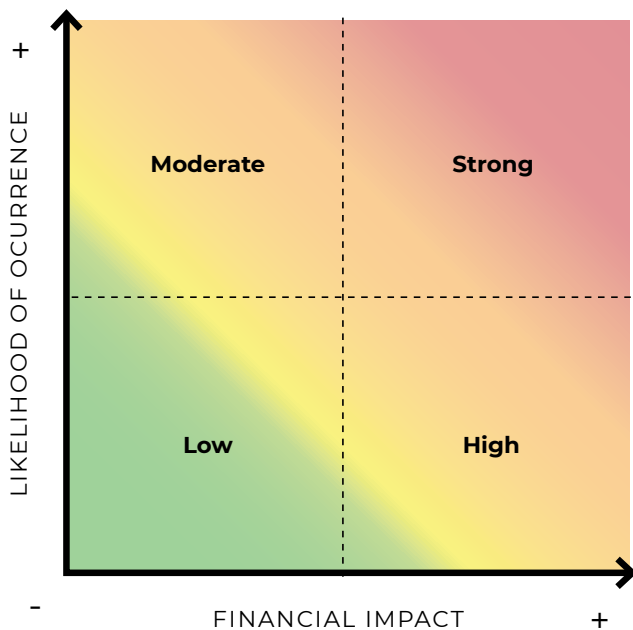
LIKELIHOOD

Risk managers use an average scenario to assess the probability of occurrence. The estimated probability of the risk materialising is measured, taking into account the track record of the past five years as well as the one-year expectations. The various possible scenarios are documented in terms of impact and likelihood of occurrence.

PREPAREDNESS

The level of preparedness is measured using a questionnaire on aspects related to response capacity, existing mechanisms and controls, scenario analysis and contingency plans.

These assessments are transferred to the tolerance scales defined by Senior Management for each of the variables to obtain the total impact level. Various thresholds are currently assessed for the following financial variables: change in sales, change in gross margin, change in net profit and change in cash flow generated from operating activities.



To assess climate change-related risks, methods for the financial assessment of (acute and chronic) physical and transitional risks in the short, medium and long term based on **scenario methodology**, are also used. This methodology is described in detail in section **5.10.4. Climate change: risks and opportunities**. The scenario methodology is also used to assess risks in categories not related to climate change. To analyse each scenario increasing levels of severity are factored in, so as to simulate its likelihood of occurrence, its timing, its specific recovery curve from the baseline and its aggregate and separate impact. The purpose is to calculate Earning Value at Risk over a time frame of five years discounted to obtain its present value, also enabling us to assess risks in intrinsic and residual terms, after consideration of risk mitigation and transfer measures. This method is part of the process of evolution and development of the IRMS, of which the risk taxonomy implemented last year is a part.

5.10.2. Risk map

GRI 102-11; 102-15; 102-25; 102-28; 102-30; 102-49; 103-2; 103-3 AND 201-2

The risk map represents the inventory of critical risks for the Group. There are also maps for specific risk categories that offer greater granularity.

Critical risk map

	Strong	High	Moderate	Minor	# Risks
Social					
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.	25%	50%	25%	0%	4
Financial					
Financial risks are threats originating in the macroeconomic sphere, in global value chains and in company- or industry-specific events that may prevent the proposed objectives from being achieved.	50%	0%	50%	0%	8
Geopolitical					
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 expected prospects.	66%	0%	34%	0%	3
Governance					
Governance risks include a set of risks of a different nature. 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 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 risk of corruption or damage to the company's reputation.	58%	14%	14%	14%	7
Environmental					
Environmental risks are risks associated with natural disasters, climate change and the interactions resulting from human exploitation of the environment.	50%	0%	25%	25%	4
Technological					
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.	20%	60%	20%	0%	5
Total	45%	19%	29%	7%	31

There follows a description of the main risk factors, and the procedures for their control and management. The Group's risk taxonomy was reviewed last year as part of the process of evolution and development of the IRMS.

5.10.2.1. 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 achieved.

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, inflation and risk relating to raw material price increases, economic contraction and the competitive environment.

Risk: exchange rate volatility

Description and impact:

The Euro is the Group's functional currency. Its international transactions require the use of numerous currencies, giving rise to foreign currency exchange risk. Currency exposure manifests itself in terms of net investment, translation and transaction risks. 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 **exchange translation risk** resulting from all its entities located outside the Economic and Monetary Union. The Company is also exposed to the risk arising from the volatility in currencies other than the euro of payment and collection flows in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

Risk management:

Foreign exchange rate risk is managed in line with the corporate risk management model guidelines set forth in the **Financial Risk Management Policy** 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 of risk and its management, in order to minimise the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

The Policy establishes the procedures for analysing and monitoring foreign exchange exposure, as well as potential hedging strategies. It also regulates the contracting of financial derivatives, their record and documentation. The Group uses the Cash-Flow-

at-Risk (CFaR) methodology in order to estimate the potential impact of exchange rate fluctuations on consolidated profit before tax and, if applicable, determine the relevant mitigation strategies. The Group also uses the Value-at-Risk (VaR) method to manage foreign exchange risk in relation to the translation of the most relevant accounting items. Occasionally, mitigation strategies use financial derivatives like options purchased, zero-premium option combinations and currency forwards.

① More information in Note 25 of the *Consolidated Annual Accounts*.

Risk: inflation and higher raw material prices

Description and impact:

The Group is exposed to the risk of **inflation affecting costs** linked to the acquisition of the goods and services necessary to conduct our business normally. Notable is the impact of the increase in the price of raw materials (textile and non-textile) consumed directly and indirectly in the Group's operations, and in the procurement of goods, primarily of our products and services, in particular in connection with the transportation of supplies and distribution. This risk is measured using the aforementioned VaR methodologies.

① More information in Note 25 of the *Consolidated Annual Accounts* and in section 5.4.2. *Design and selection of materials* of this Report.

Risk management:

The manufacturing and procurement model ensures flexibility and allows production to be adapted to market demand and to possible changes in the supply market environment. 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 changes. In addition, the vertical integration of operations makes it possible to shorten production and delivery times and reduce inventory volumes, while keeping sufficient manoeuvring room to introduce new products over the course of each season. Due to the importance of logistics management in managing these risks, the Group analyses all factors that could negatively affect the goal of achieving maximum efficiency in logistics management.

① More information in section 4.1.1. *Business model and strategy* of this Report.

Risk: counterparty risk

Description and impact:

The Group is exposed to counterparty risk from our suppliers of goods and services, especially those that are more strategic for the continuity of our operations, as well as from our customers and business partners, which could impact the normal performance of some of our operations. The majority of revenue relates to retail sales which are collected on demand, either in cash or through a credit card. There are therefore no significant concentrations of credit risk. The Group is also exposed to the risk that financial counterparties fail to comply with their obligations in relation to investing our liquidity, credit policies or other funding and guarantee vehicles, as well as the derivative instruments arranged to hedge financial risks.

① More information in Notes 11, 20 and 25 of the Consolidated Annual Accounts.

Risk management:

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, technological, operational, reputational and other aspects. The Group's **Financial Investment Policy** aims to ensure the safety, integrity and liquidity of the Company's financial assets. Based on the Financial Risk Management Policy and its implementing regulations, the maximum exposures are determined in terms of counterparty, and it regulates the procedures to ensure the control, oversight and monitoring of credit risk. The flexibility and diversification of the value chain are crucial pillars that ensure the resilience and continuity of the Group's operations in respect of potential disruptions owing to the behaviour of third parties, whether suppliers of goods and services or business partners.

① More information in section 5.5.1. *Sustainable management of the supply chain* of this Report.

Risk: competitive environment

Description and impact:

Risks relating to the competitive environment refer to 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. These risks are inherent to the fashion retailing business and consist of the Group's potential inability to continue operating and react to changes in its target market or to adapt to new situations in its supply or distribution countries. These risks derive from the possible difficulties involved in recognising and taking on board the ongoing chang-

es in fashion trends, and in manufacturing, supplying and putting up for sale new articles 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.

Risk management:

The Group's unique business model is based on management that aims to improve the efficiency and effectiveness of existing markets, business lines and stores, **rationalising and diversifying the sales network**, within a model of organic growth of the current business. The internationalisation policy, the Group's multi-brand format and the support for total integration of channels and new technologies as alternatives for our customer communication and sales, represent a means of risk diversification that mitigates the overall exposure to risks in the market. The Group performs a feasibility analysis of each new market, business line or store, considering worst-case scenarios, and subsequently monitors compliance with the estimated figures. The Company has very strict requirements in terms of the profitability of commercial premises.

① More information in sections 3. *Get to know Inditex* and 4. *Transforming with a unique model* of this Report.

Other financial risks:

The current interest rate environment, particularly in the euro area, implies a potential risk of negative profitability in the Group's financial position (more information in Note 8 of the Economic and Financial Report). Another significant policy in managing financial risk is the **Payment Management Policy**. It institutes the principles aimed at ensuring compliance with the Group's obligations, safeguarding its interests and establishing the necessary procedures and processes to guarantee the efficient and swift management of payments. The Policy determines the optimal form, currency and timing of payment in economic, accounting and legal terms. Finally, the Payment Management Policy establishes the possible exceptions and the procedures for authorising them. The Policy and Procedure on Representatives and Attorneys sets out the members of the Group who may enter into financial transactions on its behalf, including payments, their levels of authorisation based on the nature and amount of the transaction, as well as the necessary combinations of attorneys contingent upon these criteria.

① More information in section 3.3. *Inditex in figures, key indicators* of this Report.

5.10.2.2. 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 expected prospects.

Risk: socio-political unrest

Description and impact:

Potential instability in the territories where the Group's supply chains are located, as well as where products are marketed, poses a significant risk. Sometimes instability manifests itself through frictions that hinder the normal movement of goods during the transport process, whether due to political instability, infrastructure saturation, or constraints, especially on key routes, which generate bottlenecks due to supply-demand imbalances that limit access to transport and/or erode business margins.

The conflict in Ukraine has forced the temporary suspension of the Group's operations in Ukraine and in the Russian Federation. The implications that the current circumstances may have for our business due to their potential ramifications, as well as their estimated duration, are still difficult to assess in such an uncertain context.

Risk management:

The business model is based on a **value chain with multiple geographic origins** which, in addition to providing the necessary flexibility and adaptation to demand, ensures a high level of diversification and offers alternatives should it become necessary to switch between different manufacturing markets in case of severe or continuous disruptions.

The Group's integrated sales model enables it to operate in more than 200 markets, which ensures a significant level of diversification and resilience.

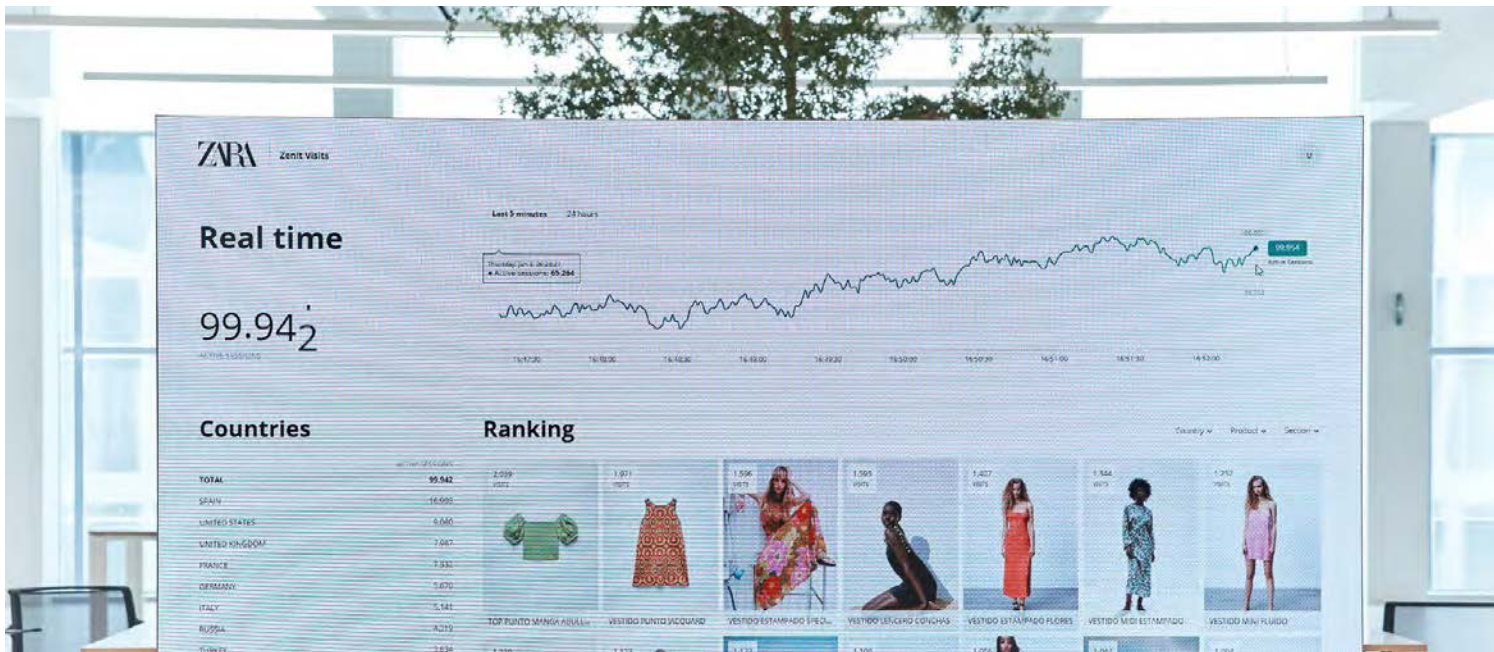
The Group continues to permanently analyse the evolution of the conflict and its complex implications and implement plans to mitigate its impact, especially in relation to its workforce in the affected markets.

① More information in sections 3. *Get to know Inditex*, 4. *Transforming with a unique model* and 5.5.1. *Sustainable management of the supply chain* of this Report.

Risk: regulatory framework

Description and impact:

As a result of its extensive direct and indirect geographic presence, the Group is exposed **to a wide range of legislation** in the countries where it operates. Regulatory changes, which are increasingly frequent and more sweeping, especially in our sector, 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. Included in this category are risks relating to tax, customs, labour law, commerce and consumption-related regulations, industrial and intellectual property, data protection and privacy, and those relating to other types of legislation, in particular, regulations in relation to criminal risk (including potential risks of perpetrating crimes related to corruption, fraud and bribery, legislation on cybersecurity and the environment, among others), regardless of whether or not the criminal liability of legal entities is determined, and other regulatory non-compliance risk.



Risk management:

The Group's business model is based on a firm commitment to good governance, transparency and respect, aimed at generating a positive impact, promoting social and environmental sustainability, and conveying a corporate ethical culture in the performance of all its activities. The Group has a robust Compliance System that is structured as model for the organisation, prevention, detection, control and management of legal and reputational risks, deriving from potential breaches of imperative standards, internal rules and best practices applicable to it.

① More information in sections 5.8. *Fiscal responsibility and transparency* and 5.9. *Good governance, corporate ethics culture and solid compliance architecture* of this Report.

5.10.2.3. 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.

Technological risk is the risk of losses stemming from the inadequate management of, or failures or deficiencies in, the security of the information systems, including all the devices and technological systems, networks and human resources devoted to processing an organisation's information.

Organisations face multiple types of technological risks, such as information security incidents, cyber attacks, service disruptions, and others.

Each type of technological risk has the potential to unleash financial, reputational, regulatory and/or strategic risks. Consequently, it is crucial to have an effective strategy for managing technological risks to anticipate potential issues.

Risk: cybersecurity

Description and impact:

Cybersecurity risk refers to internal and external exposures that might affect an organisation's objectives and values, due to its operating in digital environments. These exposures may be linked to digitalisation, the adoption of technologies, as well as the behaviour of users and the organisation's pace of modernisation. In the past, exposures to cybersecurity risks were associated with organisations' centralised information systems, but they now include external risks introduced by other organisations or by external systems in the digital world.

The Group is exposed to the possibility of a cybersecurity event that could compromise the continuity of operations and/or the confidentiality, integrity and/or availability of the Group's information, regardless of whether it is located in its own systems or those of third parties; and third parties' information located in the Group's systems.

With numerous attackers attempting to gain access to corporate information worldwide every year, the Group is aware that technological risks are evolving exponentially, unpredictably and, in some cases, in a very sophisticated way, which makes it difficult to anticipate and implement preventive measures. Thus, although Information Security is one of the Group's priorities, there is the possibility of an undetectable attack, including on its service suppliers, which might affect operations or information managed by the Company.

Risk management:

The Group is aware that its systems will require continuous improvement and investment to avoid obsolescence and to maintain their responsiveness at the standards it requires. Given how important it is for the Group's goals that the technological systems function properly, it maintains, through the Information Security department and with the support of the Information Security Committee, a permanent control focused on guaranteeing the rationalisation and coherence of these systems, as well as their security and stability, a prerequisite for the uninterrupted performance of its operations.

The Group is guided by the **Information Security Policy** as a reference framework to maintain the confidentiality, availability and integrity of information and the elements that process it.

The Policy sets out the following general principles on which the achievement of the aforementioned objectives must be based:

- (i) information is classified according to its value, importance and criticality for the business;
- (ii) the use of systems is limited to lawful and exclusively professional purposes;
- (iii) functions are segregated in order to avoid risks;

- (iv) when necessary or appropriate, information retention periods are established;
- (v) procedures are in place to control access to information by third parties;
- (vi) the security of information in the systems;
- (vii) a continuity management process is implemented to ensure the recovery of critical information for the Group in the event of a disaster; and
- (viii) the Group's information and communications systems are in keeping with the requirements of the legislation in force and with applicable internal regulations.

It also defines the responsibilities and the scope of competence attributed to the various departments and corresponding bodies within the Organisation. This Policy must be accepted by all users accessing Group's information and may be viewed by them any time in the Company Intranet.

The inventory and risk map of technology and information security risks is updated annually, with the aim of providing an aggregate view of the Group's situation to enable the relevant mitigation and continuous improvement measures to be introduced by responsible areas.

A strategic plan was developed in the year with the help of international experts in various fields and areas in order to maintain and improve the degree of maturity of the Group's Information Security programme. This project also aimed to identify actions and initiatives based on the Company's needs and challenges for the coming years.

As a result of the increase in cyber-attacks on companies worldwide, without a significant impact on the Company's operations at the date of preparation of this report, various working groups have been maintained and developed. These groups, under the supervision of the Information Security Committee, were aimed at continuing to design and implement new initiatives and oversee existing ones in order to mitigate the risks arising from new scenarios.

On the other hand, it should be noted that the Information Security department, which exercises its second-line-of-defence control functions independently, has continuous review mechanisms, which are periodically evaluated through a range

of internal and external audits with a view to the prevention, detection and response to a potential cyberattack. These controls would make it possible to anticipate and/or mitigate the consequences of the risk's materialising, together with insurance policies that would cover loss of profit, expenses arising from the attack and the Company's civil liability for damage caused to third parties. Based on the available information, the Organisation considers that these controls have worked to date. Specifically in the E-Commerce environment, the Group complies with the strict requirements of the Payment Card Industry Data Security Standard (PCI- DSS) and is ISO/IEC 27001 certified for Information Security.

Moreover, associated with various of the organisation's processes, the Group has other certifications required by international regulatory frameworks:

- K-ISMS: Korea Information Security Management System (K-ISMS) is an information security management standard operated by Korea Internet & Security Agency (KISA).

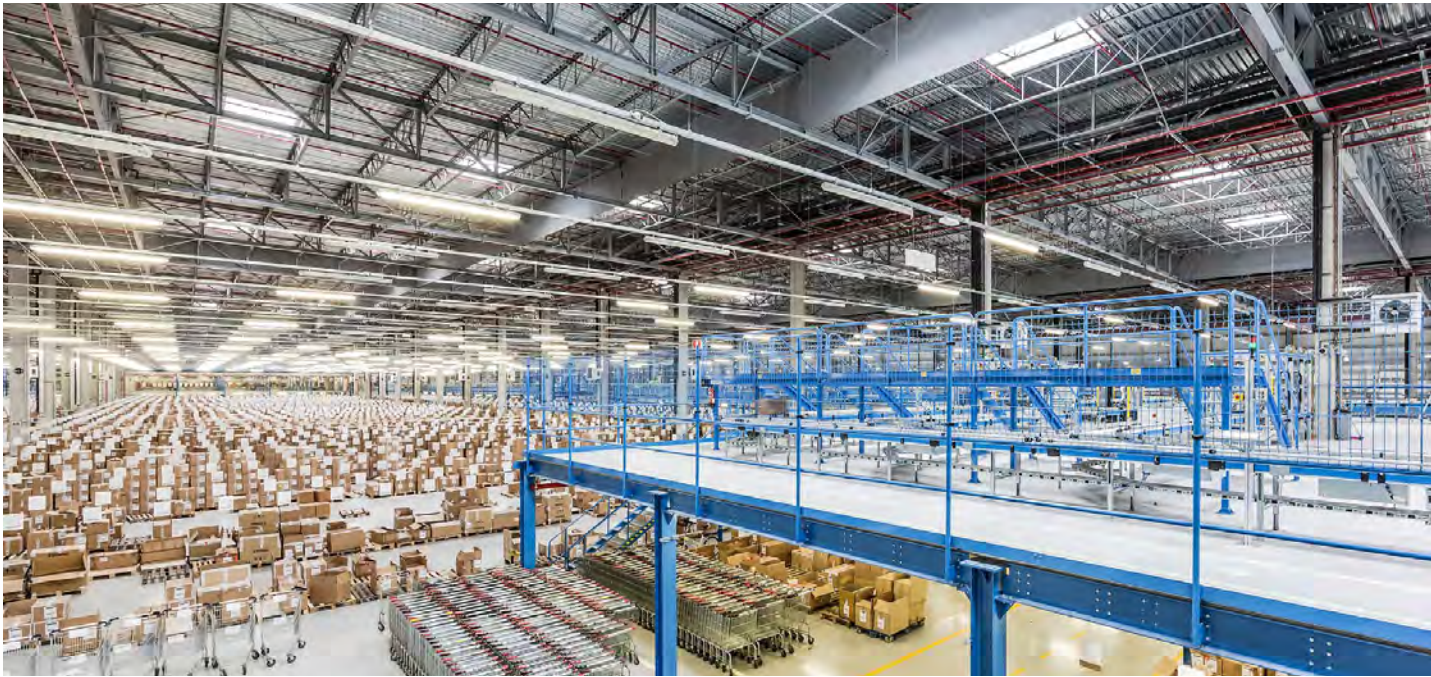
K-ISMS was prepared to evaluate whether enterprises and organisations operate and manage their information security management system (ISMS) consistently and securely such that they protect key information assets from various threats.

- MLPS: Multi-Layer Protection Scheme (MLPS) is a regulatory classification scheme intended to protect the security of information systems located in China. China's Cybersecurity Law requires the network and system components to be protected against disruptions, damage and unauthorised access using a graded scale to prevent data leakage, manipulation and espionage.

For the specific purpose of maintaining the availability of the systems, the Group has technical contingency systems in place which, together with the associated technical procedures and their relevant evaluation tests, would reduce the consequences of an incident, breakdown or shutdown.

Technical contingency systems may be considered to include the Group's main data centre, certified as TIER IV, which guarantees high availability. The Group also has synchronous data storage in redundant locations or duplication of equipment and lines to mitigate various physical or geological risks.

- ① More information in section 5.10.5. *Information security and privacy of this Report.*



Risk: shutdown of operations and critical infrastructure and services

Description and impact:

Another technological risk is that arising from the interruption of operations associated with the possible occurrence of extraordinary events beyond the Group's control (fires, transport or key supplier strikes, interruptions in energy and fuel supplies, etc.), which could have a significant effect on the normal functioning of the Group's operations. In view of the Group's operating structure, the main operational risks are concentrated at logistics centres and at third party operators transporting goods. The concepts' clothing, footwear, accessories and household products are distributed from different logistics centres, owned by the Group and operated by third parties, located throughout Spain and complemented by a logistics connection hub in the Netherlands. There are also other smaller logistics centres located in other countries and with third party logistics operators which carry out small scale distribution operations.

Risk management:

The **scale and use** of all centres has been **optimised** according to the volume of each brand and the specific needs of the geographic area they serve. In particular, some of the aforementioned logistics centres specialise in distributing goods relating to online sales. The various centres have been configured in such a way as to be versatile enough to take over storage and delivery capacity from other centres in the event of a contingency caused by accidents or stoppages in distribution activities.

In addition, the Group works actively to reduce exposure to this type of risks, maintaining **high levels of prevention and protection** at all its distribution centres. Insurance policies cover the possible material damage to facilities and the loss of profit derived from an incident.

In order to ensure the Group's growth and reinforce the flexibility of the business model, the Logistics Expansion Plan assesses the need for, and envisages new inversions, where appropriate. Such as investments in new logistics centres or the expansion of existing ones to mitigate the risk associated with the planning and scaling of logistics, investments in improvements and automation in existing centres, aimed at increasing their capacity and efficiency, as well as improving internal control over the goods stored in them.

Notable in this respect is the progressive application of Radio Frequency Identification (RFID) technology in the value chain, which allows for a very high degree of control of the goods, and the development of new mobile robotic technologies. Also noteworthy are the search for, validation and control of external logistics operators, at different strategic points, with full integration into the Company's logistics capacity.

i More information in sections 4.1.1. *Business model and strategy* and 4.3.1. *Collaborative and transformative innovation of this Report*



Risk: governance and use of information

Description and impact:

The governance, availability, quality and value of the information generated by the Company is increasingly becoming a competitive advantage and is essential for normal business operations. The information is varied: transactional and operational, financial and accounting, management and budgeting and control. Inditex will ensure the protection of information, regardless of how it is communicated, shared, projected or stored. This protection affects both the information inside the Group and the information shared with third parties.

Risk management:

In order to reduce the exposure related to the use and governance of information, the management information distributed to the various managers is periodically

reviewed, the Group invests, among other areas, in information transmission systems, data analysis and intelligence for decision-making and process optimisation (distribution, logistics, etc.), business monitoring and budgeting. The Group's various departments and particularly the Management Planning and Control and the Administration Departments, which report to the Financial Division, are directly responsible for producing and supervising the quality of this information. The Information Security Department is responsible for ensuring that this information is accessible and/or modified only by those authorised to do so, entering parameters into the systems to guarantee the reliability, confidentiality, integrity and availability of critical information.

① More information in section 5.10.5. *Information security and privacy* of this Report.

With respect to financial reporting risks, the Group has established an Internal Risk Management and Control System over Financial Reporting (ICFR), with the aim of continuously monitoring and assessing the main associated risks in order to reasonably ensure the reliability of the Group's public financial information –more information in the **Report on Internal Control Systems (ICFR)** included in the Annual Corporate Governance Report, available at Inditex corporate website—. The Group also has an internal control system to ensure the reliability of non-financial reporting to the market (ICNFR).

Furthermore, the Consolidated Annual Accounts and those of all the relevant companies, as well as the Statement on Non-Financial Information, which forms part of the Directors' Report, are reviewed by the external auditors, who also perform certain audit work related to financial reporting. In addition, for the most significant companies, the external auditors are asked to make recommendations on internal controls.

① More information in the *Independent verification Report* included herein.

Risk: digitalisation

Description and impact:

The Group is aware that **technological innovations and evolutions** in a broad sense, both in customer interaction through the development of a satisfactory omni-channel experience resulting from the integration of the physical and digital worlds, as well as the improvement of all operating and business processes, are indispensable to ensure fulfilment of the strategic objectives.

① More information in sections 4.1.1. *Business model and strategy* and 4.3. *Innovation, vital for transformation* of this Report.

Risk management:

Mindful of the importance of technology and innovation, both crucial in an era in which flexible solutions are needed that adapt to continuous change, the Group has established **digital transformation**, through the introduction of the latest technologies, as one of its strategic goals. The drive for digitalisation as a key transformation tool is evident throughout all the Group's operational and business processes. Digitalisation allows a more agile, efficient and accurate management of our operations, from logistics through to in-store transactions. It facilitates sales growth by integrating channels, both digital and in-store. It ensures immediate availability and accessibility of business data, obtained thanks to our full integration, so as to continue to speed up decision-making processes, manage inventory more efficiently and improve the standard of customer services.

Digitalisation is also an indispensable tool for developing our sustainability strategy, as it is a linchpin in our supplier relations. It enables us to manage the traceability of the supply chain, allowing us to compile social, environmental and product health and safety information that can be made available to all stakeholders. Its application in the sphere of wage management and working hours promotes the financial inclusion of workers in our supply chain, and helps us make further headway towards achieving living wages. Finally, digitalisation and technological advances help us to promote new initiatives, on our own or in tandem with third parties, for innovation, research and development, aimed at the transformation of the textile industry in connection with, among other areas, wet processes, their application to dyeing and printing, and at guaranteeing the safety of the chemical compounds used.

With regard to people management, our digital tilt has enabled us to continue improving our operations, from the initial recruitment to the contract stage. Digitalisation is critical in the sphere of communication and training of our teams all over the world, providing them, in an expedient, modern and continuous manner, with a broad array of proprietary or third-party training content in a virtual forum.

① More information in sections 4.1.1. *Business model and strategy* and 4.3. *Innovation, vital for transformation* of this Report.

5.10.2.4. Environmental Risks

Environmental risks are risks associated with natural disasters, climate change and the interactions resulting from human exploitation of the environment.

Risk: shutdown of operations due to natural causes

Description and impact:

As a result of natural disasters such as floods, fires, earthquakes, etc., key business operations and shipping processes could be halted. Events such as these could potentially affect the Group's critical infrastructure. Section **5.10.4. Climate change: risks and opportunities** includes a sub-section concerning the physical climate impact on the Group's value chain.

Risk management:

The approach to managing these risks, including mitigation measures and resilience plans, is discussed in the section entitled **Shutdown of operations and critical infrastructure and services**.

Risk: climate change

Description and impact:

The Group's performance is exposed to the potential impacts of climate change in its various manifestations of physical risk, whether chronic or acute, as well as the risks resulting from the transition to a low-carbon economy. Section **5.10.4. Climate change: risks and opportunities** focuses on this risk within the framework of the Task Force on Climate-related Financial Disclosures (TCFD), which the Group joined in June 2020.

Risk management:

Decarbonisation is one of the main axes of our Sustainability Roadmap, in line with the goals of the Paris Agreement. The Group has set very ambitious decarbonisation targets for our business and for our industry as a whole.

① More information in sections 5.6.1. *Our approach to decarbonisation and energy management* and 5.10.4. *Climate change: risks and opportunities* of this Report.

Risk: environmental degradation and scarcity of natural resources

Description and impact:

There is a risk of producing adverse effects in the environment through the release of undesirable or hazardous substances (whether biological or chemical) throughout our value chain. There is also a risk that the Group's activities could translate into negative externalities such as the loss of biodiversity, deforestation, soil degradation, scarcity of raw materials, especially those that meet our sustainability requirements, among others.

Risk management:

The firm commitment to the highest sustainability standards is one of the Group's strategic pillars, as it aims to play a transformational role in the industry. The Group's **Sustainability Policy** sets out its environmental commitments, which are applied transversally across all its business areas and throughout its supply chain. **Three environmental strategies** are derived from this Policy which seek to ensure the best possible protection of environmental resources: the Biodiversity Strategy, the Global Water Management Strategy and the Global Energy Strategy. In line with such three strategies, Inditex is also committed to protecting forest products, as specifically addressed in the Forest Product Policy. We highlight the commitment to clean energy and the implementation of circular management models in our headquarters, logistics centres, factories and stores, such as the Closing the Loop project, among others. Sections **5.4. Collaborating to transform through sustainable management of our products** and **5.6. Collaborating to safeguard the planet** describes in detail the multiple strategies, governance structures, projects and objectives related to this risk.

5.10.2.5. 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.

Risk: talent and people management

Description and impact:

Human resource-related risks pertain to the potential dependency on key personnel, the inability to adapt the organisational culture with the required speed and flexibility to the needs of staff in a new

and complex environment, where the sustainability of human capital becomes more relevant and which aims to ensure the quality of employment, health and well-being of staff, work-life balance, diversity, teleworking culture, etc.

Moreover, there has recently been a growing demand in the labour market related to the social responsibility of companies, which has become a key factor in the choice of companies as a preferred employment destination.

Risk management:

The People Department is guided by a series of principles that are presented in detail in section **5.1. Collaborating with our people, the engine of that transformation**. The working system implemented at the Organisation fosters the transmission of knowledge and the involvement of all people in the Group's culture and way of operating. Professional development, training and compensation policies are aimed at developing teams as a whole, providing growth opportunities to the most talented people and retaining key employees. The Group also carries out selection and recruitment processes for new staff to ensure a continuous inflow of talent in all areas of the Company. These measures, combined with the continuous improvement of the Group's policies concerning people, minimise the risk derived from concentrating know-how in certain key people.

The Group has rolled out various initiatives in several lines of action. The Diversity and Inclusion Policy applies throughout the Company. The Inditex Group devises equality plans with measures to promote the commitment to and effective application of the principle of equality between women and men, helping to reduce inequalities and imbalances, preventing discrimination in the workplace, guaranteeing a healthy working environment and establishing measures that help maintain a work-life balance.

Teams are also encouraged to engage in solidarity projects so that they can channel their social concerns wherever the Company operates. For this purpose, a number of programmes and projects have been implemented in which people can participate with varying degrees of engagement.

① More information in section 5.1. *Collaborating with our people, the engine of that transformation of this Report.*

Risk: stakeholder perception

Description and impact:

The social risks category also includes risks that have a direct influence on the perception of the Group by its stakeholders (customers, employees, shareholders and suppliers) and society in general (more information in sections **4.4.3. Materiality analysis and 5.2. Collaborating with our customers, the force driving transformation**). They arise from the possibility of the inappropriate management of issues relating to corporate ethics, social and environmental sustainability, responsibility for the 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.

In organisations of the scale and visibility of the Group, conflicts may emerge as a result of inappropriate relations with third parties outside the Group's operational activity (CNMV, media, investors, financial analysts, public authorities, etc.).

Risk management:

Several departments, including Communications and Institutional Relations, are responsible for monitoring the Group's image in all areas, including social media. Communications and Institutional Relations, as well as the Sustainability Department, establish the Group's necessary procedures and protocols for mitigating this risk. In addition, given its importance, the General Secretariat-Regulatory Compliance Management and the Investors Relations Department are specifically responsible for managing relations with the CNMV and, by extension, with investors and financial analysts.

① More information in sections **5.3. Collaborating with our shareholders, allies in transformation and 5.9. Good governance, corporate ethics culture and solid compliance architecture** of this Report

Risk: infectious diseases

Description and impact:

This category also includes the risks posed by infectious and contagious 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. As evidenced by the experience of the last two years, pandemics may trigger multiple impacts that are difficult to foresee and variable in intensity, both over time and in extension, that can sometimes prove systemic due to the way their ramifications manifest.

Risk management:

The section **5.10.3 Risks that materialised over the course of the year** covers in detail the impact of the covid-19 virus and the measures to mitigate it. For information concerning the management of the impact of covid-19 on customers, suppliers and other stakeholders, see section 5.1.6. Health, safety and wellbeing of our people of this Report.

5.10.2.6. Governance Risks

Governance risks include a set of risks of a different nature. Among them is 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 recommendations; (iii) best practices; and (iv) the commitments that Inditex voluntarily undertakes as a company. Risks of this kind also include those arising from the tactical and strategic decisions of the Group's Management that may result in the non-achievement of business, functional area or Group objectives, as well as risks of corruption or damage to the company's reputation.

Risk: ethical behaviour and good governance

Description and impact:

The risks included in this category are risks relating to tax, customs, labour law, commerce and consumption-related regulations, industrial and intellectual property, data protection and privacy and risks relating to other types of legislation, in particular, regulations in relation to criminal risk (including potential risks of perpetrating crimes related to corruption, fraud and bribery, legislation on cybersecurity and environment, among others), regardless of whether or not the criminal liability of legal entities is determined, and other regulatory non-compliance risk.

① More information in section **5.9. Good governance, corporate ethics culture and solid compliance architecture** of this Report.

Risk management:

The General Counsel's Office and Compliance Office (SG-DCN, by its acronym in Spanish) is responsible for the operational management of the Company's Compliance model. Specifically, this department is tasked with the three-fold function of regulatory stewardship, coordination and reporting.

The General Counsel's Office and Compliance Office is tasked with coordinating the compliance functions of other departments or areas responsible for compliance risks, by means of a periodic reporting system.

In order to mitigate exposure to compliance risks in a broad sense and, in particular, to criminal risks, including risks related to potential corruption, fraud and bribery, the Group has a structure of high-level basic standards and a number of organisational documents which constitute the main pillars of the Company's transversal Compliance System. These high-level standards are the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group, the full description of which is included in section F.1.2 of the Annual Corporate Governance Report.

The General Counsel's Office and Compliance Office reports to the Audit and Compliance Committee at least half-yearly concerning the monitoring of the system and the main Compliance issues reported.

Inditex has an organisation and management model for the prevention of criminal offences or Criminal Risk Prevention Model, comprising **three documents**: the Criminal Risk Prevention Policy, the Criminal Risk Prevention Procedure and the Scoping

Matrix of Criminal Risks and Controls (hereinafter, 'Criminal Risk Prevention Model'). This Model sets out the main ethical conduct commitments undertaken pursuant to the Code of Conduct and the organisational measures to prevent criminal activity. The Scoping Matrix of Criminal Risks and Controls, which sets out the criminal risks and controls established to prevent perpetration of offences.

This Criminal Risk Prevention Model was approved by the Board of Directors in 2016, but is subject to a continuous process of evaluation and improvement. In particular, the Scoping Matrix of Criminal Risks and Controls, which is permanently updated by means of: (i) the periodic analysis of the possible risks inherent to the various business processes; and (ii) the monitoring of the controls implemented, taking into account the prioritisation of risks as determined in the risk map.

The main policies approved within the framework of the Criminal Risk Prevention Model are as follows:

- Policy on Donations and Sponsorships.
- Policy on Gifts and Business Courtesies.
- Policy on Dealings with Public Servants.
- Conflicts of Interest Policy.



- Anti-Money Laundering and Terrorist Financing Policy.
- Due Diligence Policy.
- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets.

The Ethics Committee, which reports to the Board of Directors through the Audit and Compliance Committee, is the internal body responsible for supervising compliance with the Criminal Risk Prevention Model and the effectiveness and correct execution of the controls established therein, with the General Counsel's Office and Compliance Office being responsible for its material execution, as well as for ensuring compliance with the legal requirements in force. The so-called Compliance Function comprises the Ethics Committee, as the decision-making body, and the General Counsel's Office and Compliance Office.

At least every six months, the Ethics Committee submits a report to the Audit and Compliance Committee analysing the results of the supervision of the Criminal Risk Prevention Model. In turn, the Audit and Compliance Committee reports to the Board of Directors on a quarterly basis and whenever the Board so requests.

There is a grievance channel (currently formally called the 'Ethics Line') described in section F.1.2. of the Annual Corporate Governance Report (ACGR).

Inditex allocates the highest priority to the **protection of the personal data of its customers and employees**, including privacy by design and by default in its processes. Consequently, Inditex has a model of compliance in connection with data protection and privacy, managed by the Data Protection and Privacy Department and with the supervision of the Group's global Data Protection Officer (DPO). Its basic standard is the Compliance Policy on Personal Data Protection and Privacy, approved by the Board of Directors. The Policy outlines the principles and commitments that the company applies to ensure compliance with data protection and privacy regulations in all jurisdictions where it operates and to guarantee the rights of all stakeholders (customers, users, employees, etc.).

[i More information in section 5.10.5.2. Personal data protection and privacy of this Report.](#)

The Group implements a Programme for Compliance with the Code of Conduct for Manufacturers and Suppliers by means of social audits and pre-assessment based on the verification, carried out by quali-

fied social auditors, of the facilities necessary for the production of the fashion articles it distributes, in order to minimise the potential risks of damage to its image due to improper behaviour by third parties. This programme provides the specific review procedures to ensure that information and evidence is obtained on the minimum working conditions with which all manufacturers and suppliers must comply. The Compliance Programme is supplemented with the Workers at the Centre 2019-2022 strategy, which focuses on workers in the supply chain and their well-being, as well as collaborations with various stakeholders, notably including the Global Framework Agreement with the IndustriALL Global Union federation of industry trade unions, and partnerships with the International Labour Organization (ILO), among others. Section **5.5. Collaborating so our suppliers grow** contains detailed information regarding the strategy and initiatives in connection to this risk.

To mitigate the risks associated with the characteristics of the finished product, ensuring that they do not pose a risk to customers' health and safety, the Group carries out controls and verifications of product health and safety standards (Clear to Wear and Safe to Wear), which are generally applicable and mandatory in the supply chain for all marketed products.

[i More information in section 5.4.4. Health and safety aspects of our products of this Report.](#)

General Counsel's Office and the Compliance Office supervises and manages the Inditex Group's regulatory compliance system in order to prevent legal and reputational risks arising from possible regulatory breaches. In order to minimise these risks, it is essential to ensure that the Company's Corporate Governance System (comprising the Articles of Association, the Regulations of the Board of Directors and of the Annual General Meeting, the Audit and Compliance Committee, the Nomination Committee, the Remuneration Committee, the Sustainability Committee, the Internal Regulations of Conduct in the Securities Markets, the corporate policies devised to control and manage risks, and the Group's internal rules of conduct) are consistent with the relevant regulations in force at any given time in the area of corporate governance.

Accordingly, the Audit and Compliance Committee performs an **annual assessment** of its Corporate Governance System in order to verify its degree of compliance with and adaptation to new legislation, recommendations, standards and best practices in this respect, and to systematically reinforce good corporate governance practices in its governing bodies.

Furthermore, the performance of, among others, the Board of Directors, its directors and delegated committees and the executive directors, is subject to an annual self-assessment.

Inditex's Internal Regulations of Conduct in the Securities Markets (IRC) establish the principles and criteria to guarantee (i) that the information supplied to the market and to the CNMV is truthful, clear, quantified and complete, avoiding subjective judgements that are or could be misleading; as well as (ii) the appropriate use of privileged information and other material information of the Company. Overseeing and implementing the IRC is the responsibility of the Compliance Committee and the Chief Compliance Officer, who reports to the Audit and Compliance Committee every six months.

The application and interpretation of the Code of Conduct and Responsible Practices for Manufacturers and Suppliers are attributed to the Ethics Committee, which also has a mechanism in place to present complaints in regard to irregularities and non-compliances.

Moreover, the Audit and Compliance Committee, through the General Counsel's Office and Compliance Office, periodically checks for the existence of potential conflicts of interest or related-party transactions contrary to the interests of the Company and/or its shareholders, in accordance with a regulated analysis and assessment procedure, and subsequent approval by the Board of Directors.

In short, risk is minimised by ensuring that the governing and management bodies function properly and by improving the Company's internal control, transparency and corporate responsibility, thus generating confidence among shareholders and investors.

As regards supervision, the main governing bodies with responsibilities for risk control are the **Board of Directors and the Audit and Compliance Committee**.

1. Board of Directors

The Board of Directors is ultimately responsible for the identification of the Group's main risks and the organisation of appropriate internal control and reporting systems.

2. Audit and Compliance Committee

Among other duties, the Audit and Compliance

Committee assists the Board of Directors in its supervision and control of the Group, by reviewing the internal control systems in place. The competences of the Audit and Compliance Committee is provided in the Articles of Association, the Regulations of the Board of Directors and the Regulations of the Audit and Compliance Committee.

The Regulations of the Audit and Compliance Committee establish that the Committee, composed exclusively of external directors, is responsible for, among other duties: supervising the effectiveness of the Company's internal control, internal audit and financial and non-financial risk management systems, including tax and corruption-related risks, as well as analysing with the auditor any significant weaknesses in the internal control system detected during the course of the audit, and overseeing the process of preparing and presenting the mandatory financial and non-financial information.

The Audit and Compliance Committee is also tasked with supervising the Group's Internal Audit department, ensuring the function's independence and efficacy. Accordingly, the Committee undertakes to: (i) evaluate the Internal Audit function and the performance of its head; (ii) ensure that it has sufficient human and material resources, both internal and external, to carry out its duties; approving the budget of the Internal Audit department; and (iii) approve the Internal Audit Plan and its annual activity report (receiving periodic information on the activities carried out by Internal Audit), ensuring that its activity is mainly focused on the material risks of the Company and its Group.

The Internal Audit department is part of the current organisational structure, directly linked to the Board of Directors, to which it reports functionally through the Chair of the Audit and Compliance Committee, thus guaranteeing full independence in its actions.

The Group's Internal Audit Charter defines the mission of the Internal Audit Department, which is to contribute to the proper running of the Group by ensuring effective and independent oversight of the internal control system and providing the Group with recommendations that help to reduce to reasonable levels the potential impact of risks that might hamper the achievement of the Organisation's objectives.

The Charter also establishes as objectives of Internal Audit, among others, to make such recommendations as it deems appropriate to improve the governance process, to assess the effectiveness of risk management processes and contribute to their improvement, to ensure the proper functioning of internal control and information systems and to guarantee the homogeneous and efficient applica-

tion of the policies and procedures that make up the internal control system.

In addition, there are areas or departments that exercise supervisory functions over the adequacy of the internal control system. Among others, the Compliance Function, which reports to the SG-DCN, is responsible for the Criminal Risk Prevention and Corruption Prevention Models; the ICFR/ICN-FR Internal Control area, reporting to the Senior Finance Management, is responsible for supervising internal control over the integrity of financial reporting (ICFR) and for supervising internal control over the Statement on Non-Financial Information (ICN-FR); the Information Security area is responsible for internal control over cybersecurity risks; the Data Protection and Privacy area is responsible for managing the personal data control systems; and the Fiscal area is responsible for supervising the fiscal risk management system.

[① More information in section 5.8. Fiscal responsibility and transparency of this Report.](#)

5.10.3. Risks that materialised over the course of the year

GRI 102-11; 102-15 AND 102-29

The covid-19 pandemic continued to shape performance in the year. Many countries and regions have continued to experience continuous or sporadic restrictions on mobility of varying intensity and these have affected both the Group's stores and the value chain (the Group's own and that of third parties) necessary for the normal operation of our business.

At the height of the pandemic this year, from February to May, a maximum of 28% of all the Group's stores remained closed or subject to restricted opening hours and/or number of people allowed inside. These restrictions sometimes also affected other internal and external services necessary for the Group's operations to work normally. As the year progressed the situation has tended to normalise. The number of stores affected by restrictions has gradually decreased to a broadly insignificant figure.

At the outset of the health crisis, Inditex set up an information system that would afford it the **best possible knowledge of all the guidelines and recommendations** issued by the various authorities and public bodies in order, not only to ensure compliance with the regulations in force, but also to harness the best practices being implemented in the different geographic areas. The Group's foremost concern has continued to be to **ensure the health and well-being of its employees, customers and all persons** who

directly or indirectly provide services or goods necessary for the operation of the business, taking the appropriate preventive measures and, where necessary, mitigating measures, at all times.

At the time of writing this Report, very few territories were subject to restrictions as a result of the pandemic. However, thanks to the experience gleaned since the start of the health crisis, the implementation of protocols and the provision and strengthening of technical resources for remote working, the Group's management and administration infrastructures in all geographies guarantee normal operations. Mechanisms have been reinforced to ensure the proper working of the means necessary to guarantee the continuity of the Group's operations in this new context and measures to protect information systems have been stepped up.

The **integrated sales model** has enabled us to continue to meet customer demand in all markets, even during the strictest lockdowns. Online sales have continued to develop strongly and have offset the impact of hindrances to the physical retail channel.

The value chain has also been hit by the pandemic. Some procurement markets have continued to endure sporadic disruptions, resulting in delays in lead times. **The flexibility of the business model** shone through again, enabling the Group to mitigate the impact of these disruptions by leveraging the diversification of its proximity and long-cycle sources, as well by forecasting demand to adapt procurements in an expedient manner. The pandemic has also hampered supply and distribution shipping networks. The collapse in demand for passenger transport coupled with extraordinary incidents in some communication infrastructure, led to a shortage of routes and/or higher freight rates. The Group has sought versatile transportation alternatives in keeping with the unforeseen circumstances to ensure the continuity of its freight transport model. In this context, the environmental, social and governance (ESG) goals established by the Company were unaffected. Inditex's degree of ambition when it comes to sustainability throughout its value chain remains intact or has even increased, with new commitments unveiled at the Annual General Meeting in July 2021. The pandemic may have affected the annual performance of certain particular indicators relating to ESG, in which case the impact is detailed separately in this Report where applicable, but it has not affected the Group's sustainability goals and commitments.

The pandemic and the recovery process, which has sometimes led to unexpected spikes in demand, has also affected market risks. Some of the currencies in which the Group operates have experienced considerable volatility and, on occasions, ongoing

depreciation. Over the year inflation processes have been observed in many regions. There is considerable uncertainty as to whether the consumer price increases are transitory or more long-term. The inflationary spiral has affected many of the costs of goods and services that make up our value chain. Particularly, raw material prices have risen across the board, due, on the one hand to the global increase in demand, and, on the other, to temporary shortages due to bottlenecks or transitory disruptions in value chains, as a result of the pandemic and its repercussions. Energy and transport fuel costs have risen sharply and stayed high over the year, and there is so far no visibility regarding their reversal to average levels of the last few years. In these exacting circumstances, spending has been systematically and rigorously controlled.

Foreign exchange risk has been particularly concentrated in the Turkish lira, the Argentine peso, the US dollar, the Japanese yen and the Russian ruble. During financial year 2021, the depreciation of non- euro currencies has had a negative impact on the Company's sales growth rate and a slightly positive impact on the cost of sales. Exchange rate risk has continued to be actively managed in accordance with the Group's guidelines based on centralized management, operational optimization of foreign exchange exposures, maximization of the benefit of diversification of the exposure portfolio and continuous monitoring of the risk.

Although the Group **has a strong cash position**, additional measures have been taken to ensure and safeguard the Company's liquidity. The Group also has external sources of financing through lines of credit, largely committed, for a total of 7,665 million euros.

5.10.4. Climate change: risks and opportunities

GRI 102-11; 103-2; 103-3 AND 201-2

2021 MILESTONE

During the year, Inditex has continued to make progress in more closely adopting the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

In 2021 we continued to work to further our alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). In this regard, our *TCFD VISION* group, created in 2019 with the mission to manage and adapt our climate-related management and disclosure framework to the recommendations of the TCFD, has made progress in its mission by designing the Group's 2023 alignment plan, which includes a series of lines of action aimed at making further progress in the management and disclosure of the risks and opportunities arising from climate change throughout our Company.

Progress in alignment with TCFD recommendations

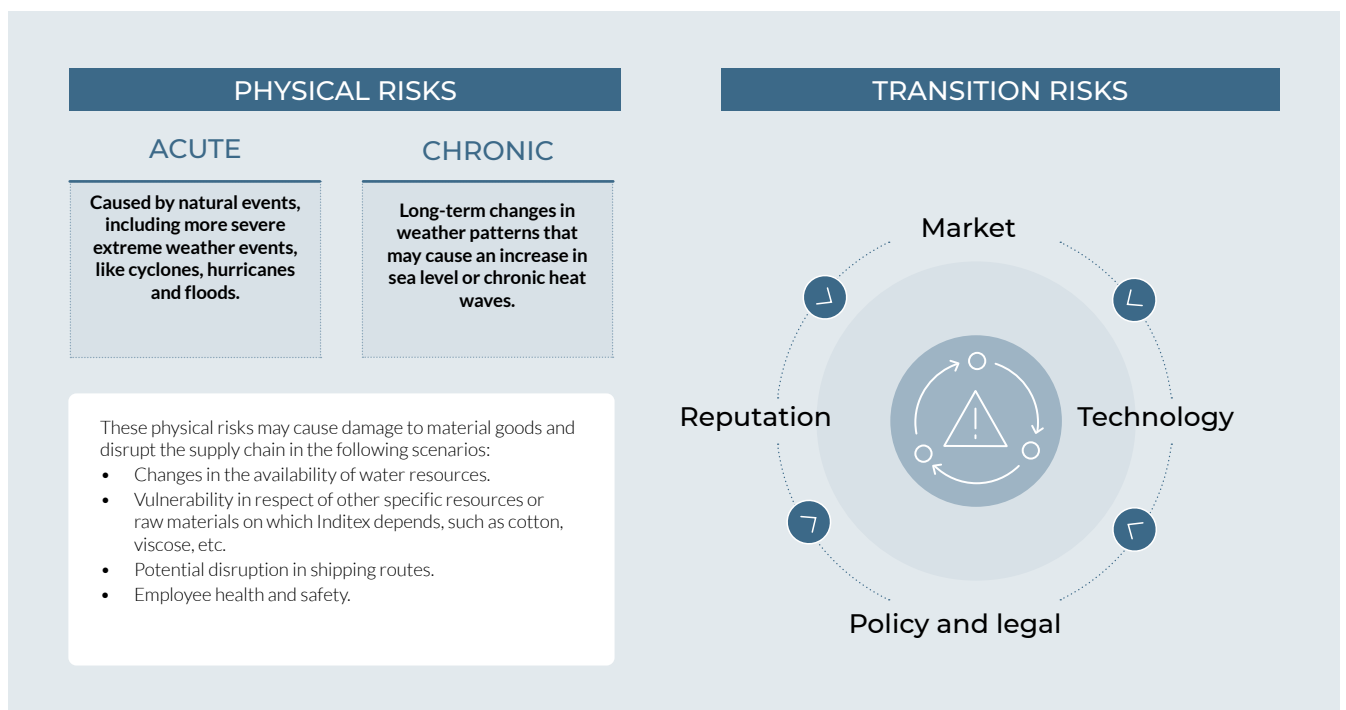
In a rapidly changing climate context, consideration and transparency in respect of climate issues is an increasingly critical part of decision-making. Indeed, as the latest status report by the Task Force on Climate-Related Financial Disclosures¹¹⁰ indicates, 2021 was a year of great significance as multiple jurisdictions have proposed or finalised laws and regulations to require climate disclosures in keeping with these recommendations, some of which will come into force in 2022. Likewise, international accounting standard bodies are developing standards to include global ambitions for climate risk disclosure.

The recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) were designed so that information on climate-related financial risks and opportunities could be used for

110. More information in the *Task Force on Climate-Related Financial Disclosures 2021 Status Report*.

strategic decision-making, beyond the traditional understanding of catastrophic climate risks that affect corporate assets and operations. In this respect, the Group's performance is exposed to the potential

financial impact of climate change in its various manifestations, not only in the form of acute or chronic physical risks, but also in terms of the risks of transitioning to a low-carbon economy.



The Company's actions on the four TCFD benchmarks of **governance, strategy, risk management, and metrics and goals** is presented below:

Governance	The organisation's governance in respect of climate-related risks and opportunities.
Strategy	The actual and potential impact of climate-related risks and the opportunities in the organisation's businesses, strategy and financial planning.
Risk management	The processes used by the organisation to identify, measure and manage climate-related risks.
Metrics and goals	The metrics and goals used to measure and manage material climate-related risks and opportunities.

As part of our firm commitment to decarbonisation, the Inditex Group has ramped up its ambition and accelerated its pledges, bringing forward its goal of achieving **net zero emissions to 2040**, ten years earlier than initially planned. Also consistent with this important challenge, we are making progress on our science-based reduction targets for the period 2018-2030: a 90% reduction in our scope 1 and 2 emissions and a 20% reduction in our scope 3 emissions (in the supply chain category). These targets, validated by the Science Based Targets initiative, are consistent with the Paris Climate Agreement aspiration of limiting the global temperature increase to 1.5°C above pre-industrial levels by the end of the century.

- ① More information on these goals and the initiatives being implemented to achieve them in section 5.6. *Collaborating to safeguard the planet* of this Report.
- ① More information on our specific efforts in circularity and sustainability of our products in section 5.4. *Collaborating to transform through sustainable management of our products* of this Report.

Climate governance

The Group's sustainability strategy and its policy on climate change is approved at the highest level by the Board of Directors of Inditex. To guarantee that the Sustainability Roadmap will lead Inditex to be a net zero emissions company by 2040, the Board of Directors monitors, on a quarterly basis, the fulfilment of the objectives included in the Strategic Plan, analysing, among others, the indicators related to sustainability and climate change, which are integrated into our business model and our decision-making processes. The Inditex Group's climate governance is a shared responsibility across all levels of the Organisation:



CLIMATE GOVERNANCE



-  **QUARTERLY**
-  **BIANNUAL**

BOARD OF DIRECTORS

Body responsible for approving the sustainability strategy and the climate change policy.



SUSTAINABILITY COMMITTEE

Informative and consultative body responsible for advising the Board of Directors and overseeing and controlling sustainability proposals, and fostering the company's commitment to the Sustainable Development Goals as well as steering relations with the various stakeholders in these matters.



AUDIT AND COMPLIANCE COMMITTEE

Supervision and control of the effectiveness of the risk management and internal control system of the Company as a whole. On an annual basis, this committee supervises and assesses non-financial risks, including environmental risks, as part of the annual review of the Inditex risk map, and its degree of tolerance, while ensuring that the risks are managed within the tolerance levels established by the Board.

Together, these two committees are responsible for ensuring the effective application of the policy on reporting non-financial information, supervising the information included in the Statement on Non-Financial Information, as well as other public documentation within their purview.



CHIEF SUSTAINABILITY OFFICER

The Chief Sustainability Officer belongs to Senior Management of Inditex, which comprises the company's senior executives and directors of all our brands. The CSO reports to the COO & Head of Digital and Sustainable Transformation and to the CEO whenever so required, to the Sustainability Committee and, where applicable, to the Audit and Compliance Committee, concerning aspects relating to climate change and the associated risks. The CSO also establishes the strategy and identifies tolerance to climate risk (approved by the Board), as well as supervising the implementation of the sustainability roadmap, and the attainment of the climate goals.

CORPORATE SUSTAINABILITY DEPARTMENT

HEADS OF SUSTAINABILITY OF THE BRANDS



OFFICE OF THE CHIEF COMPLIANCE OFFICER

Responsible for supervising and coordinating the Compliance Model: system for the organisation, prevention, detection, control and management of legal and reputational risks, deriving from potential breaches of mandatory regulations, internal rules and best practices applicable to it.



FINANCIAL DIVISION/ RISK MANAGEMENT DEPARTMENT

- ✓ In charge of ensuring the proper functioning of the Risk Management System and, in particular, that all material risks affecting the Company are properly identified, managed and quantified.
- ✓ Participating actively in the preparation of risk strategies and in key decisions about their management.
- ✓ Maintaining and updating know-how, techniques, methodologies and tools to enable compliance with the operating principles of the Risk Management System in line with the most stringent quality standards.
- ✓ The Chief Financial Officer and, in general, any executive, may report to the Audit and Compliance Committee whenever the latter so requires.

RISK MANAGERS

Monitoring, identification and tracking of risks within their responsibility in accordance with the tools defined by the Risk Management Department.

SOCIAL ADVISORY BOARD

A collegiate body integrated by external independent experts, which advises on climate change, among other issues linked to sustainability.



With the aim of leading this mission, the Inditex Group has a Sustainability Roadmap, which includes the milestones and commitments that we have set ourselves in this area, and which was updated in 2021 with renewed actions and more ambitious objectives, as well as initiatives aimed at achieving our long-term objective.

① More information in section 5.6. *Collaborating to safeguard the planet* of this Report.

We believe it is necessary to adopt a **holistic approach** involving the analysis of future climate scenarios and the identification of associated risks and opportunities in order to guarantee a resilient short- and long-term strategy. Building on the work carried out in previous years, the Inditex Group has joined forces with the University of Cambridge's Centre for Risk Studies to design a climate risk assessment model under different scenarios.

At Inditex, we define risk as any potential event that could have a negative impact on the achievement of the business objectives or that could affect the company's normal course of business. Based on this, we categorise the risk in accordance with its potential impact, likelihood of occurrence and our level of preparedness for addressing it. Due to the large scale and long-term challenge posed by climate change, these risks and opportunities were assessed in the short (0-5 years), medium (5-10 years) and long (more than 10 years) term.

Moreover, Inditex has established the *TCFD VISION* group to monitor and align with TCFD. The group comprises heads of areas such as Sustainability, Risk Management, Internal Audit and Corporate Development, among others.

Strategy

Our focus on decarbonisation

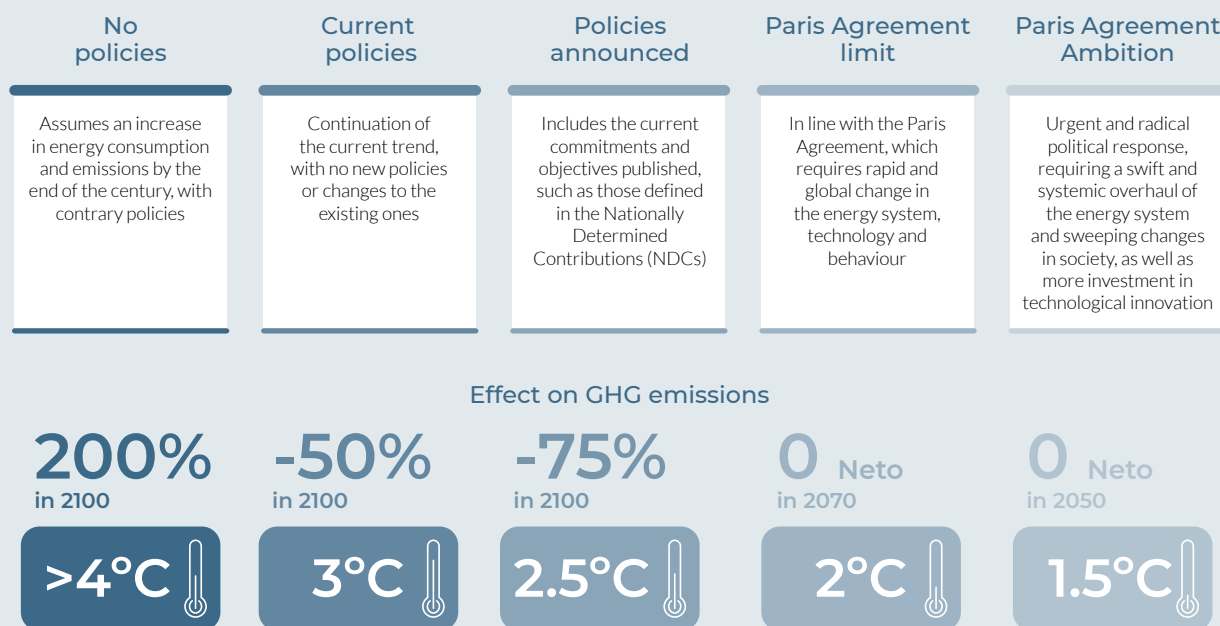
At Inditex we are unwaveringly committed to being **drivers of change** to promote sustainability in the textile sector, which is why we place it at the core of our business strategy. Collaboration and joint work with all our stakeholders is essential to make progress on this front, and that is why we establish partnerships and cooperate with different organisations, institutions and representatives of our various stakeholder groups. For example, we are founding members of The Fashion Pact, and signatories of the UN Fashion Industry Charter for Climate Action, participating in the drafting of new, more ambitious targets that were unveiled at the 26th Conference of the Parties to the Framework Convention on Climate Change (COP26) held in November 2021 in Glasgow (UK).

Analysis of the scenarios

Analysis of the scenarios gives us a better understanding of the potential impacts of climate change on our Company. We see it as a valuable tool for strategic planning, risk management and for gauging our resilience. Hence, we have been using this methodology for some years now. In 2021 we went a step further by initiating a project with the University of Cambridge's Centre for Risk Studies to explore the resilience of our value chain under different scenarios and greenhouse gas emissions pathways. Part of this work examined transition risks especially closely.

Five emissions pathways were used to assess the potential impacts on the Group of physical and transition risks. Each pathway has its own socio-economic narrative based on assumptions in respect of regulatory changes, energy outlooks and technological advances on the basis of existing data, and a probability of occurrence. For example, emissions pathways are aligned with the Shared Socio-economic Pathways of the Intergovernmental Panel on Climate Change (IPCC's SSPs). The **five emissions pathways** used are described below in more detail:

ANALYSED SCENARIOS



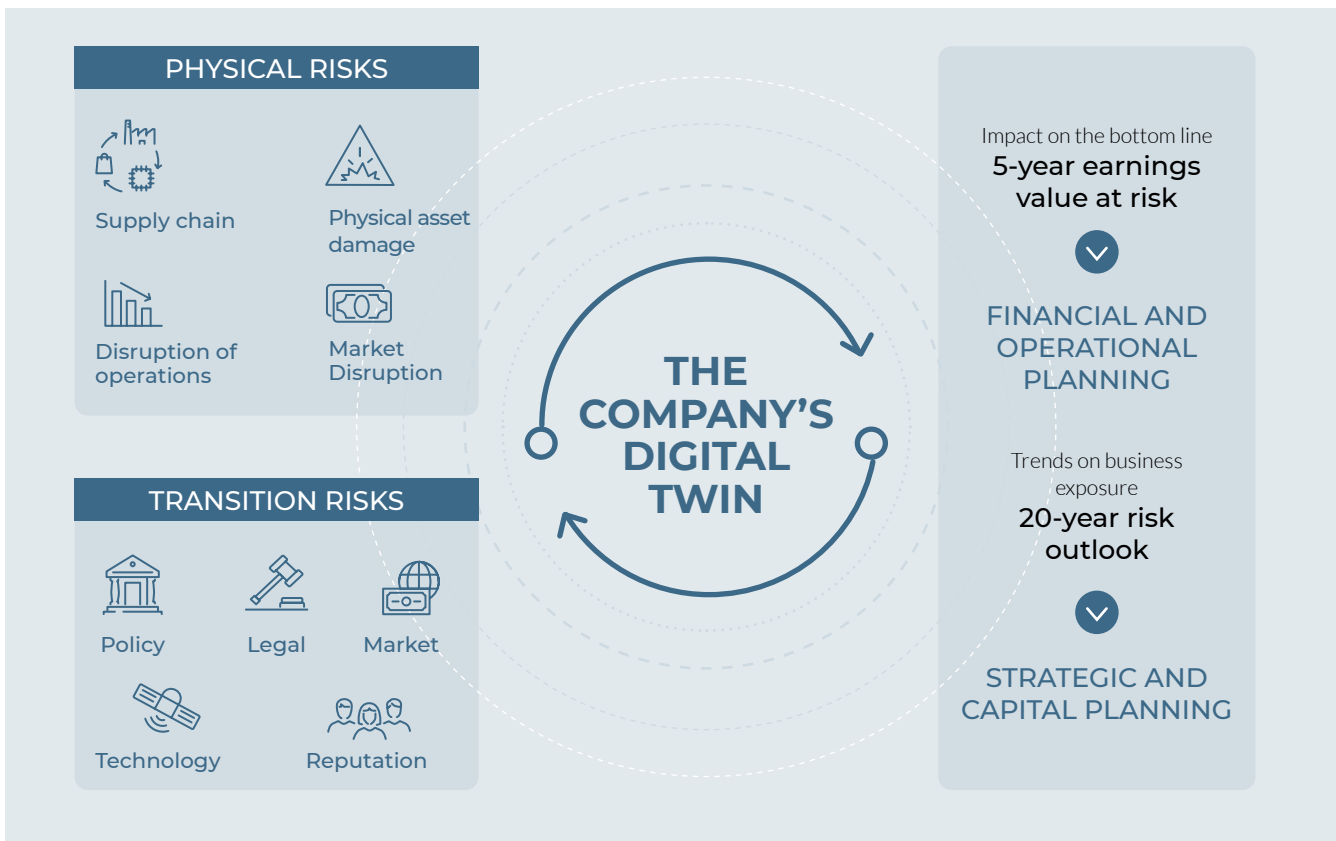
In the short term, the most significant impacts relating to climate change stem from transition risks. Consequently, in the next five years transition risk is likely to evolve swiftly as a result of regulatory changes, energy supply and demand, legal processes, etc. Transition risks vary widely depending on the emissions pathway. The most ambitious scenarios in terms of emissions reductions result in potentially higher risks.

In the short term (five years), **physical risk** deriving from climate change practically does not vary across the five emissions pathways and, as a result, its impact is broadly equal in all of them. Since over longer time frames there is more uncertainty with regard to the behaviour of climate change over physical risk, there is a greater divergence between the various pathways, and the probability of the materialisation of these risks increases. These findings evidence the importance of establishing measures in our Sustainability Roadmap in the short, medium and long term.

Method of analysing financial impacts

To quantify the potential impacts of these scenarios, a financial representation (or digital twin) of the Group was created. The **digital twin** is a representation of the Group's business, including its financial statements, key facilities, its value chain, including raw materials, a breakdown of the business by market and the greenhouse gas (GHG) emissions. The model captures the geographic presence of our value chain (origins of raw materials, factories, distribution centres, transport hubs, etc.), our commercial presence and our carbon footprint in respect of scopes 1, 2 and 3. The model allows a short-term quantification, over a five-year time frame, and also provides a 20-year outlook.

The results show the potential losses in future 'at risk' cash flows. Earning Value at Risk, discounted to obtain its present value, makes it possible to quantify the total financial impact of each scenario. The impacts are assessed from the standpoint of the physical and transition risks facing the Group. Each risk is modelled independently, assuming there are no interdependencies or trade-offs between them.



Earning Value at Risk

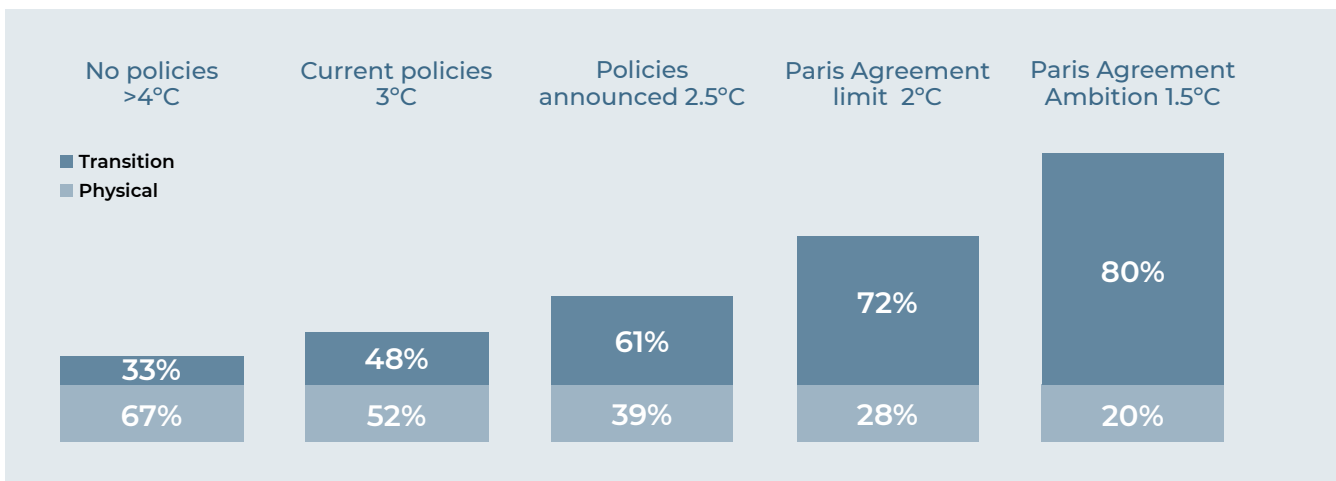
The Group’s estimated global earning value at risk for the next five years that results from the risks linked to climate was modelled assuming no mitigation actions are undertaken. The project underway with the University of Cambridge involves including the various mitigation measures emanating from our sustainability commitments. In the ‘Current policies’ emissions pathway, aggregate risk from climate change, in both its manifestations, is considered strong in the Group’s critical risk map based on its impact and probability of

occurrence. The ‘Current policies’ scenario is the second least severe in terms of transition risk.

① More information in sections 5.10.1. Risk management and control framework and 5.10.2. Risk map of this Report.

With respect to total estimated risk, the table below shows the profile of each of the risk dimensions of the five pathways used, distinguishing between physical and transition risks in the short term.

There follows a description of the various dimensions of risk under the different greenhouse gas emissions pathways and their relative impact:



Physical Risks

Physical risks resulting from climate change can be owing to extreme weather events (acute risks) or gradual changes in longer-term weather patterns (chronic risks). The analysis of physical risks was conducted for a total of more than 14,000 facilities, belonging to both the Group and third parties, throughout our value chain and of different types (factories, logistics centres, offices, airports, ports, logistics hubs, stores, etc.) considering eight climate phenomena: heatwave, freeze, water stress, flash flooding, river flooding, coastal flooding, 'extratropical' and tropical storms. Each threat is evaluated

using a base-case scenario and a change forecast. The base-case scenario is compiled using the historical meteorological series of the last 40 years, while the forecasts are based on a risk estimate through 2040. In order to weigh the financial impacts of extreme weather events caused by climate change, the changing probability and severity of each event is used to quantify the increase or reduction of the physical impacts expected.

The effect of physical risks is assessed for **four types of key risk:**

Dimension	Risk description	Financial impact	Risk management
Physical <i>Acute</i>	<p>Key facility operations: disruption to output of production and activities from extreme weather phenomena.</p> <p>Physical asset damage: cost to repair and replace property, equipment and inventory damaged by extreme weather events.</p>	<p>Earnings: estimated total loss of earnings attributed to the risk of market disruption.</p> <p>Earnings: the disruption of production capacities generates loss of earnings depending on the products and services at each facility. In addition, assets may deteriorate as a result of the damage.</p>	<p>Most of the facilities are linked to the supply chain and our sales network. Technical contingency systems are in place that would reduce the consequences of a disruption or standstill. In addition, there are continuous review systems which, along with the insurance policies, would cover loss of profit and resulting expenses. In the specific case of logistics centres, these are configured so as to be able to take on storage and distribution capacity for other centres in the event of a contingency caused by extreme weather events.</p>
Physical <i>Acute and Chronic</i>	<p>Disruption of earnings: extreme weather events affect consumers' buying habits.</p>	<p>Earnings: extreme weather events can cause short-term disruptions to normal earnings flows. Sales may be affected by changes to demand if consumers change their behaviour due to the weather, reduced retail traffic or if the value chain experiences local disruptions.</p>	<p>All of the Group's areas are oriented towards meeting customers' needs and ensuring the best shopping experience. Our activity begins with actively listening to our customers and identifying their demands and expectations. Our flexible, integrated and innovative business model affords us a competitive advantage when it comes to analysis and response in the short, medium and long terms.</p>
Physical <i>Chronic</i>	<p>Raw materials supply: agricultural products and water supply are affected by extreme weather phenomena and chronic climate changes.</p>	<p>Earnings: loss of supply of agricultural raw materials (hitherto solely considering cotton) disrupts the production chain and can trigger potential losses when it is not possible to offset the deficit in supply.</p>	<p>The Group works with other organisations and institutions to increase the range of materials with better environmental performance, which make more efficient use of natural resources with recycled content. By 2023, all the cotton we use in our products will be organic, recycled or from more sustainable sources. We also work to foster the development of technologies to improve the sustainability of the raw materials and their subsequent recycling.</p>

Transition Risks

Transition risks are financial and reputational risks associated with the nature, speed and trend of changes in policies, legal frameworks, technologies and markets as society transitions to a low-carbon economy. Transition risks vary broadly depending

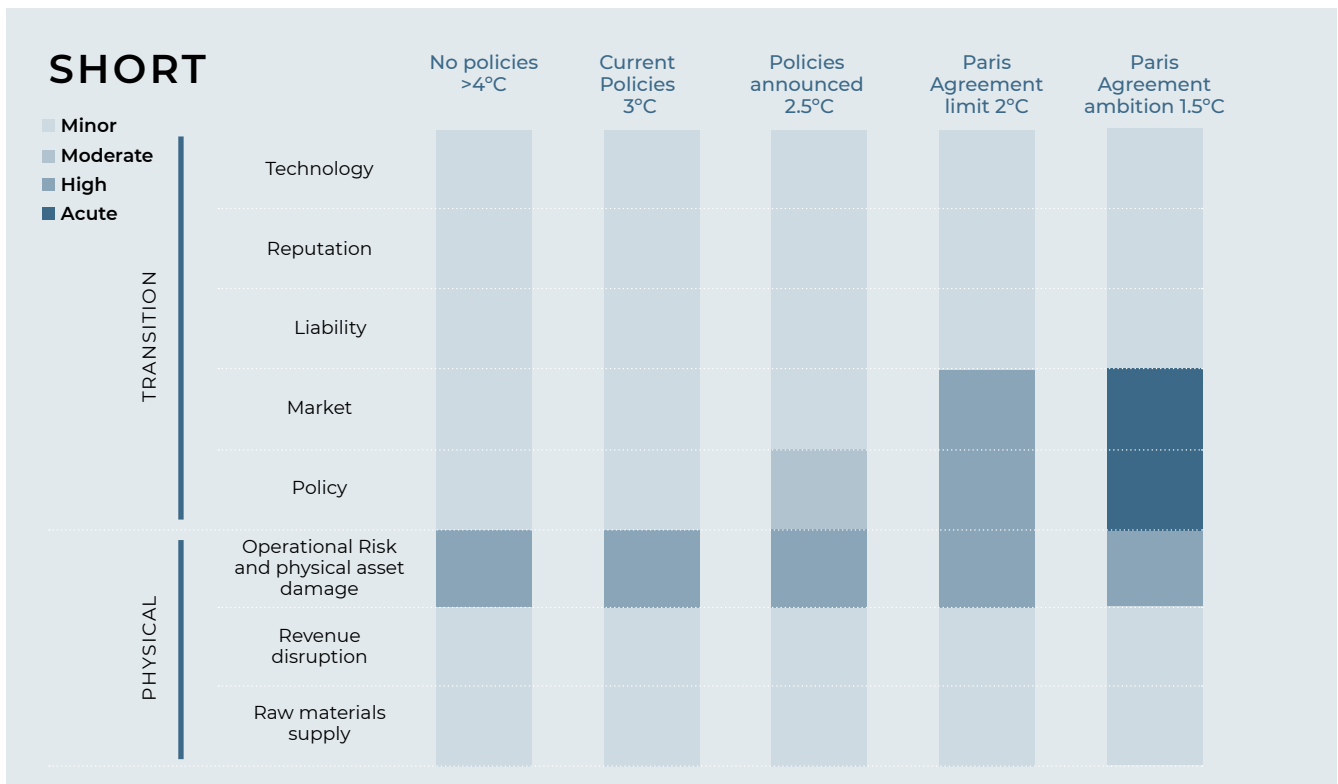
on the level of ambition expressed in the various greenhouse gas emissions pathways. Five dimensions of transition risks were assessed in accordance with the five GHG emissions pathways in the short, medium and long terms:

Dimension	Risk description	Financial impact	Risk management
Transition Risk <i>Regulatory</i>	<p>Carbon pricing: carbon pricing policies vary in each of the jurisdictions so as to incentivise decarbonisation.</p> <p>Organisations pay a price for emissions throughout their value chain.</p> <p>Carbon markets: the development of emissions markets, still largely voluntary, is experiencing an increase in demand and in the prices of carbon emissions allowances to obtain credible reductions.</p>	<p>Earnings and costs: the Group's total emissions footprint in each of the jurisdictions is subject to their carbon pricing. The financial impact stems from the increase in production and distribution costs, and the cost of raw material procurements, in terms of the increase per unit of product.</p>	<p>The Group has an ambitious Sustainability Roadmap which reflects Inditex's strong commitment to progressing towards a low-carbon economy and generating a positive impact in the industry and in society in general. The Group has set itself the goal of net zero greenhouse gas emissions by 2040, science-based decarbonisation targets (SBTs) by 2030, and it is committed to using 100% renewable energy at its own facilities by 2022.</p>
Transition Risk <i>Legal liability</i>	<p>Lawsuits from emissions and climate damage: a generalisation of lawsuits against companies for their liability in emitting greenhouse gases and the damaging economic and environmental consequences thereof.</p>	<p>Cost: the Group may face lawsuits linked to greenhouse gas emissions and climate change. Their scale and number will vary in accordance with the different emissions pathways.</p> <p>Their probability of occurrence and potential impact will also vary depending on the associated costs (settlement, legal damages, legal costs, etc.).</p>	<p>Inditex's Sustainability Policy establishes that all the Group's activities will be conducted in the most environmentally-friendly way possible, fostering the conservation of biodiversity and the sustainable management of natural resources.</p> <p>We have a solid Compliance System and a robust corporate governance system that ensures compliance with regulations, guidelines and best practices in this connection.</p>
Transition Risk <i>Technological</i>	<p>Disruptive technological innovation: the pace of adoption of low-carbon technologies, and the resulting 'green premium', may affect the competitiveness of companies as a consequence of the impact in terms of operating expenses and the value of the assets. Investments must seek a balance between innovation and profitability.</p>	<p>Cost: the model explores the cost for the Group of investing in low-carbon technologies and seeking efficiencies in its operating and distribution assets.</p>	<p>Innovation is an inherent value that cuts across Inditex's entire business model. Moreover, we collaborate with our suppliers and other organisations to find innovative solutions that may be applied throughout the value chain and life cycle of our products. Inditex's Sustainability Innovation Hub is clear evidence that it is seeking to foster the circular economy, contribute to decarbonisation and maximise environmentally-friendly development.</p>

Dimension	Risk description	Financial impact	Risk management
Transition Risk Market	<p>Consumers preference for sustainability: consumers tend to prefer alternative products and services that are sustainable.</p> <p>Competitors may emerge who propose innovations that transform demand and threaten to capture market share from the established players.</p>	<p>Earnings and costs: the demand impacts are expressed as the loss of earnings and/or failure to comply with growth targets. Investor sentiment translates into an increase in the cost of capital and in the cost of financing. The various emissions pathways will determine the scale of these impacts.</p>	<p>The Group's commitment to our customers also implies anticipating their demands in matters such as diversity, sustainability or transparency, issues in which we want to involve them in our efforts and progress. Our Join Life label identifies the Group's products that use more sustainable raw materials and more environmentally-friendly manufacturing processes. By 2022, 50% of the Group's products will be Join Life.</p>
Transition Risk Reputation	<p>Climate activism and stigmatisation by consumers: a negative change in public opinion towards companies with carbon-intensive activities. Consumer demand is affected by climate activism, which also affects investor confidence and access to capital.</p>	<p>Earnings: the impacts on demand translate into loss of earnings (or failure to comply with growth targets). Investor sentiment affects the cost of capital and of servicing debt. The scale of these impacts on demand will depend on the emissions pathway.</p>	<p>Inditex's Sustainability Roadmap was updated in 2021 to include more ambitious goals and actions aimed at achieving the long-term goal as a lever of transformation. We collaborate with all the actors in our value chain and our stakeholders to tackle global challenges from a holistic standpoint.</p>

The tables below show the evaluation of the climate change risk dimensions as per the five greenhouse gas emissions pathways for the Inditex Group.

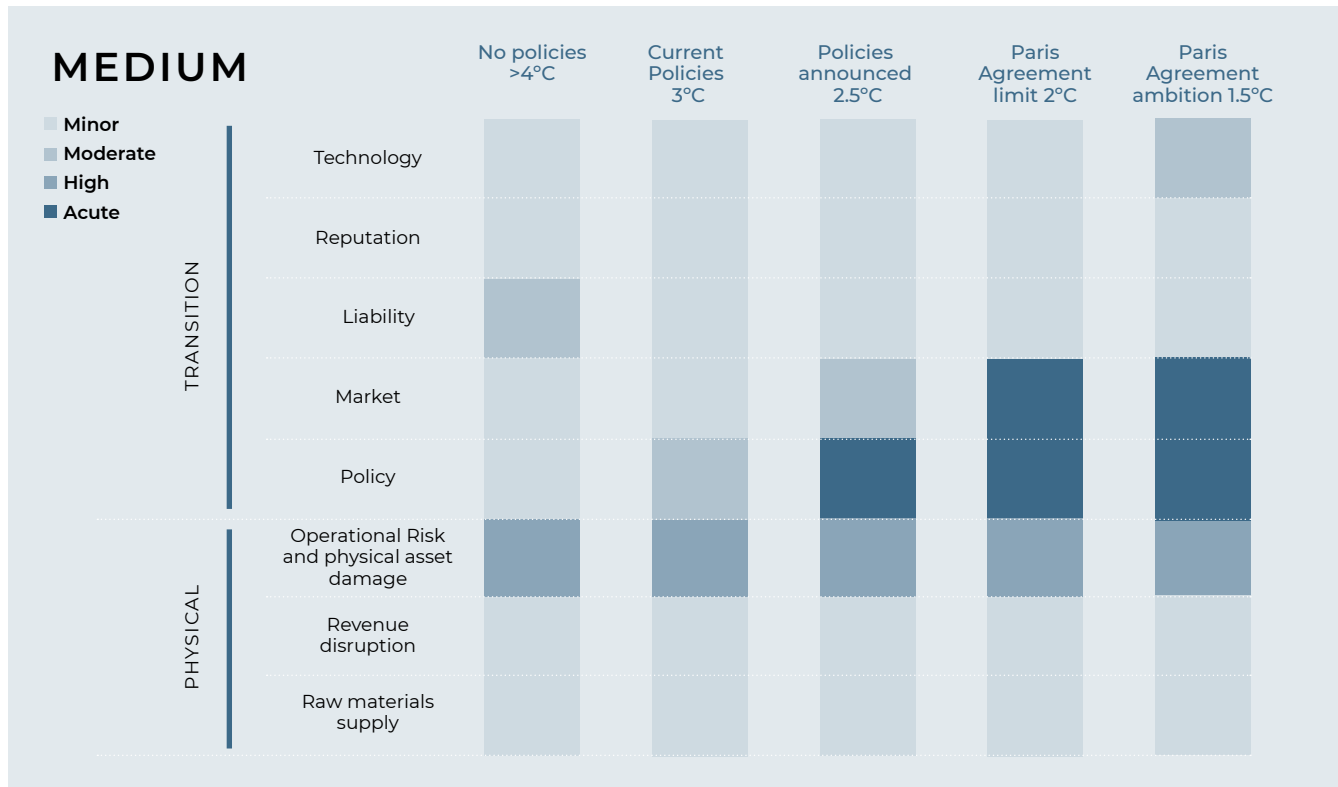
In the short term (0-5 years):



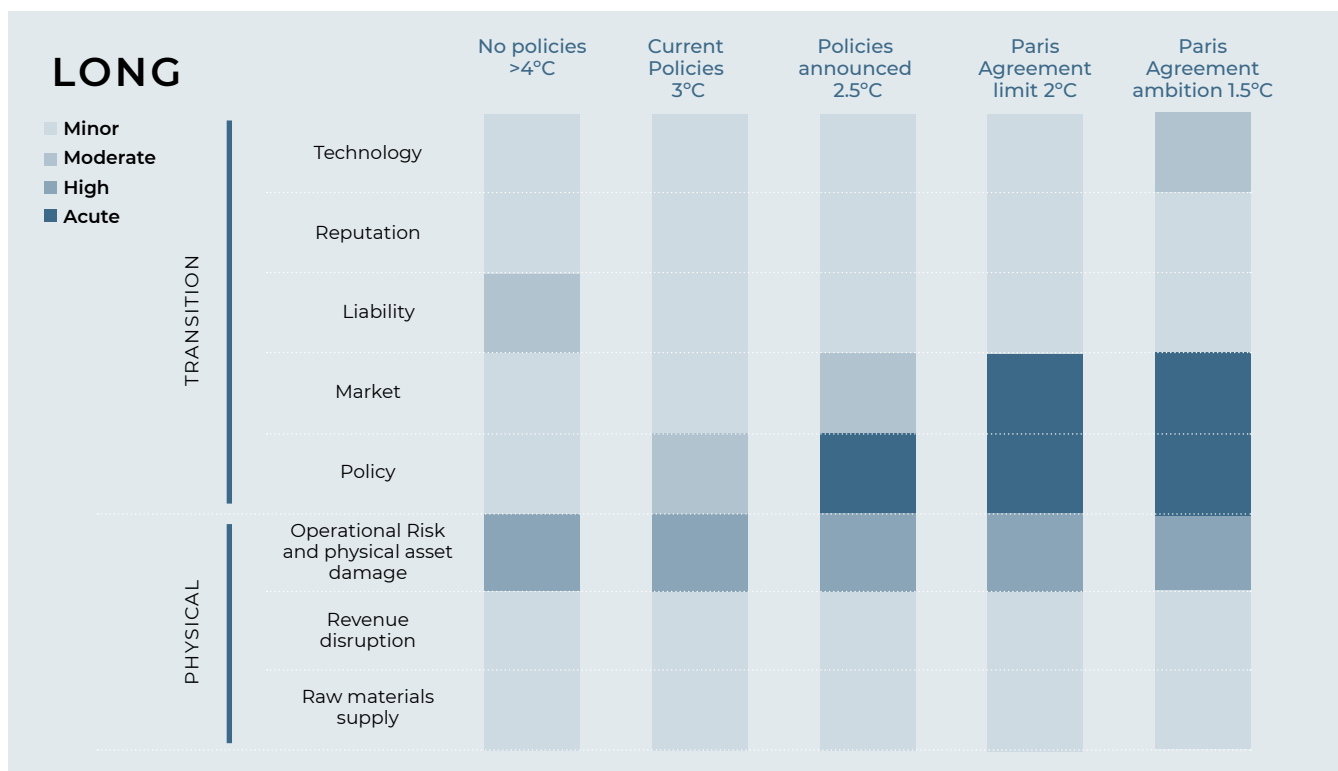
The estimated financial impact of physical risks is relatively limited for the next five years, although there is a low probability of acute events potentially causing significant losses ('catastrophic physical

tail risks'). The most vivid manifestations of physical risks resulting from climate change will, in principle, take longer to emerge.

In the medium term (5-10 years):



In the long term (more than 10 years):



Opportunities arising from climate change¹¹¹

In order to create the social, environmental and economic value pursued by our Sustainability Roadmap, in addition to its milestones and objectives, we have installed a culture of sustainability that permeates all areas of the Group. We maintain a permanent commitment to innovation and we collaborate with all our stakeholders.

minising potential environmental and social impacts in our value chain, mitigating our exposure to potential climate change risks, and finally, being able to identify and leverage the opportunities associated with a low-carbon economy and generating a positive impact.

This concept of sustainability also allows us to move towards a **three-pronged objective**: mini-

Our hope is that these benefits and opportunities will benefit not only our Company and our business model, but also the entire industry and society at large.

Opportunity	Description of the opportunity
Integrated business model	<p>All our formats continue to introduce cutting-edge technology into their integrated stores and online platform, creating an efficient, sustainable and integrated economic model. We generate opportunities for improvement for our entire ecosystem while minimising resource consumption, thus decoupling economic performance from its impact.</p> <p>i More information in section 4. Transforming with a unique model of this Report.</p>
Continuous strategic transformation	<p>Our integrated business model gives us an overview of our customers and their demands at all times. Our strategy harnesses this advantage to evolve our model towards economic, sustainable and inclusive improvements. The starting point is to try to maintain the level of commercial success achieved to date, building on the opportunities afforded by digitalisation and our sustainability ambitions.</p> <p>i More information in section 4. Transforming with a unique model of this Report.</p>
Innovation	<p>The complexity of the global challenges we face and the path towards a positive impact require an increasingly prominent presence of innovation, science and technology in our actions. For example, through our collaborative platform called the Sustainability Innovation Hub, Zara teamed with the start-up LanzaTech to launch a capsule collection of party dresses made with fabric from captured CO₂ emissions. In 2021, Inditex was recognised by Boston Consulting Group as one of the world's 50 most innovative companies.</p> <p>i More information in section 4.3. Innovation, vital for transformation of this Report.</p>
Customer orientation	<p>We have a process of interaction with our customers as the main tool to identify the latest trends and create the products they want (clothing, footwear, accessories and household items), maintaining our high standards through a combination of design, quality and sustainability, at affordable prices. This constant connection has also enabled us to pinpoint new needs that we have gradually incorporated in the form of new services, technologies or channels.</p> <p>i More information in section 5.2. Collaborating with our customers, the force driving transformation of this Report.</p>
Transformation of the sector	<p>We have developed a unique business model the hallmarks of which are flexibility and efficiency, ceaseless innovation, the creativity of our staff and our focus on sustainability in every process involved. This is the starting point from which we work to effect, through determination and collaboration, the transformation of the sector, generating a positive impact on society, the industry and our environment.</p> <p>i More information in section 5. Collaborating to have a positive impact of this Report.</p>

111. More information in our answer to the CDP Climate Change Questionnaire.



Opportunity

Description of the opportunity

Collaboration

To address the paradigm shift needed to face the challenges posed by the fight against climate change, circularity or the sustainable development of communities, we have to join forces with all the actors involved. Hence, we take an open approach in which collaboration is a pillar of transformation. Examples of this are our engagement with entities such as the United Nations Global Compact, The Fashion Pact, Ellen MacArthur Foundation or Zero Discharge of Hazardous Chemicals, among others.

[More information in section 4.4. Collaboration, the essence of transformation of this Report.](#)

Join Life products

At Inditex we believe that our commitment to our customers also implies anticipating their demands in matters such as diversity, sustainability or transparency, issues in which we want to involve them in our efforts and progress. In this regard, of particular importance is our Join Life label, which tells our customers which are the most sustainable articles and highlights their environmental properties. Our commitment is that 50% of the products we offer our customers will be Join Life by 2022.

[More information in sections 5.4.2. Design and selection of materials and 5.4.3. Join Life programme of this Report.](#)

Efficient consumption of natural resources

As part of our commitment to sustainable development, at Inditex we are strongly committed to circularity, an economic, management and production model that enables growth while conserving natural resources and advancing in the decarbonisation of the value chain. For us, circularity represents a differential model for production and consumption that spans every stage of a product from design to end of life, promotes the recycling and reuse of articles to extend their life cycle and thus minimises the use of natural resources, energy consumption and waste generation.

[More information in section 5.4. Collaborating to transform through sustainable management of our products of this Report.](#)



Opportunity	Description of the opportunity
Energy efficiency	<p>Energy efficiency is a priority in both our designs and our day-to-day operations. In this regard we are constantly reviewing our standards to guarantee that they are in line with cutting-edge practices and implementing new programmes to advance on the path of continuous improvement and sustainability in our operations. We work closely with our suppliers and other organisations to promote the rational and efficient use of energy throughout the value chain.</p> <p>More information in section 5.6.1. Our approach to decarbonisation and energy management of this Report.</p>
Generation of renewable energies	<p>The generation and acquisition of energy from renewable sources is a core pillar of the architecture of our business model. To achieve this, we invest in generating renewable energy at our own operating centres. We use our own solar thermal, solar photovoltaic or wind energy, as well as facilities to harness geothermal energy. Furthermore, by means of our Join Life standard, we promote the generation of renewable energies in our supply chain.</p> <p>More information in sections 5.6.1. Our approach to decarbonisation and energy management and 5.4.3. Join Life programme of this Report.</p>
Sustainable building	<p>We make the necessary investments in all our headquarters, platforms and stores to control the consumption of resources, to reduce that consumption and to mitigate its impact. For example, when building our headquarters, they are designed in accordance with bioclimatic criteria, encouraging the installation of photovoltaic panels, harnessing rain water for non-drinking uses and ensuring that lighting systems are self-regulating in accordance with external light conditions. In 2021, we highlight the new Zara.com building, with a surface area of 67,000 m² and equipped with the latest advances in technology and sustainability.</p> <p>More information in section 5.6. Collaborating to safeguard the planet of this Report.</p>
Acknowledgements	<p>The relationship with NGOs, governments and other civil organisations is key to implementing our sustainable business model throughout the value chain. The recognition from some of these organisations of our work in 2021 is an incentive to continue making progress. Notable recognitions obtained in 2021 include our listing in the FTSE4Good, CDP, DJSI or the Global 100 Most Sustainable Corporations in the World rankings.</p> <p>More information in section 3.4. Acknowledgements of this Report.</p>

Risk management

Inditex has an Integrated Risk Management System (IRMS) covering the entire Group. 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, and the processes for the identification, assessment and prioritising of risks. Risks arising from climate change are managed in the same way as the rest of risks to which the Group is exposed, taking into consideration its characteristics for the purpose of assessing and quantifying these risks.

① More information in section 5.10. *Responsible risk management* of this Report.

Metrics and goals

Protecting the environment and reducing our impact on it are core pillars of our business strategy. We are actively committed to this, taking action to help our planet to remain below the global warming limit established in the Paris Climate Agreement.

Goals

We have ambitious emissions reduction targets approved by the Science Based Target Initiative (SBTi) to reduce scope 1 and 2 GHG emissions by 90% in 2018-2030, and by 20% the GHG emissions resulting from the acquisition of our goods and services for the same period. These objectives are the first milestone in Inditex's ambitious emissions reduction strategy, whose purpose is to achieve net zero emissions by 2040, ten years earlier than initially planned.

① More information on the commitments and measures taken by Inditex, and other metrics used to measure our performance in this area, in section 5.6. *Collaborating to safeguard the planet* of this Report.

Scope 1, 2 and 3 emissions

Thanks to the initiatives launched by Inditex to reduce emissions, we have slashed Scope 1 and 2 emissions by 86% since 2018. More information in this respect in section **5.6. Collaborating to safeguard the planet**. For more information on the methodology used to calculate greenhouse gas emissions, see the section **6.1.3. Environmental impact management indicators**.



	2021	2020	2019	2018	2018-2021 % change
ENERGY					
Global consumption (MWh)	1,756,210	1,270,704	1,892,947	1,969,127	-11%
% Renewables	91%	81%	63%	45%	+103%
EMISSIONS (tCO₂ eq)¹¹²					
Scopes 1 and 2					
Scope 1	14,575	11,859	15,804	19,172	-24%
Scope 2 Location-Based	541,493	363,718	589,547	651,266	-17%
Scope 2 Market-Based	47,770	98,676	293,981	419,448	-89%
Total scopes 1 and 2 Location-Based	556,068	375,577	605,351	670,438	-17%
Total scopes 1 and 2 Market-Based	62,345	110,535	309,785	438,620	-86%
Scope 3	17,097,801	13,341,462	17,988,897	18,325,553	-7%
MATERIAL METRICS					
Relative emissions based on revenue (€)					
Scopes 1 and 2 Location-Based (g CO ₂ eq/€)	20	18	21	26	-22%
Scopes 1 and 2 Market-Based (g CO ₂ eq/€)	2	5	11	17	-87%
Relative emissions based on total area (m²)					
Scope 1 and 2 Location-Based (kg CO ₂ eq/m ²)	71	49	76	89	-20%
Scope 1 and 2 Market-Based (kg CO ₂ eq/m ²)	8	14	39	58	-86%

Mechanisms to incentivise decarbonisation

Variable remuneration

In accordance with our values of transparency, results-orientation and commitment to sustainability, we link our people's variable remuneration to the Company's goals and the sustainability objectives for all employees.

- Variable annual remuneration at Inditex is **linked to compliance with sustainability goals**. Specifically, in the financial year 2021, the weighting of sustainability goals in total variable remuneration is at least 10%.
- In addition, Inditex has a **long-term incentive (LTI)** scheme for Senior Management covering the 2019- 2023 period. This incentive includes, among other sustainability criteria, a reduction in greenhouse gas emissions in the company's own operations with respect to the volume of the Group's

total sales, with this index having a maximum weighting of 10% over the total. The new LTI, approved in 2021 for the 2021-2024 period, not only maintains the sustainability criteria, but increases their weighting to 25%.

Join Life label

Our Join Life label identifies the Group's products made of more sustainable raw materials and the most environmentally friendly production processes. This standard enables us to advance in our commitment to curb our impact and steadily boost the level of demand for sustainability criteria in our products. In 2021, 47% of our products were Join Life, and all of our brands include a variable linked to goals relating to this label. Our goal is for over 50% of our products to feature the Join Life label in 2022.

112. Due to updates of the emission factors, the historical scopes 1 and 2 data have been recalculated using the emission factors of the International Energy Agency, 2021 (scope 2) and the DEFRA factors, 2021 (scope 1). More information on the methodology in section 6.1.3. *Indicators for managing the environmental impact of this Report.*

CLIMATE CHANGE RISK ASSESSMENT

PHYSICAL RISKS



Heatwave



Freeze



Water stress



Key facility operational risk

disruption to output of production and activities from extreme weather events



Physical asset damage

repair and replacement costs of damage to property, plant, equipment and inventory from extreme weather events

TRANSITION RISKS



POLICY DIMENSION

Carbon pricing: carbon pricing policies vary across jurisdictions in order to incentivise decarbonisation. Organisations pay a price for emissions along their entire value chain.

Carbon markets: the development of emissions markets, still largely voluntary, is experiencing an increase in terms of demand.



MARKET DIMENSION

Preference for sustainability among consumers: consumer preferences are trending towards alternative products and services of a sustainable nature. Competitors may emerge, coming up with innovations that transform demand and threaten to capture market share from established firms.

SUMMARY OF CLIMATE CHANGE RISK

TCFD FRAMEWORK	DIMENSIONS	UPSTREAM RAW MATERIALS SUPPLY
Physical risks	Acute: extreme weather events	Disruptions in the supply of raw materials in the short term
	Chronic: gradual changes in climate patterns	Feasibility of raw material supply in some geographies
Transition risks	Policy: carbon pricing	Increased cost of upstream emissions in the value chain
	Technology: innovation in low-carbon technologies	Cost of upstream decarbonisation in the value chain
	Market: preference for sustainability among consumers	
	Reputation: climate activism and stigmatisation	
	Market: investor sentiment	
	Liability: climate litigation	



Sudden flooding, river and coastal



Tropical windstorm



Temperature windstorm



Revenue disruption
extreme weather events affect the purchasing patterns of consumers



Raw materials supply
agricultural production and water supply are affected by extreme weather events and chronic climate changes



TECHNOLOGY DIMENSION

The pace of adoption of low-carbon technologies with the resulting 'green premium', may affect the competitiveness of companies as a result of their impact in terms of operating costs and asset value. Investments should seek a balance between innovation and profitability.



LEGAL DIMENSION

Climate damage and emissions claims: widespread lawsuits against companies for their responsibility for GHG emissions and the resulting economic and environmental damages.



REPUTATION DIMENSION

Climate activism and consumer stigmatisation: negative change in public opinion towards companies with carbon-intensive activities. Consumer demand is affected by climate activism, which also influences investors' confidence and access to capital.

SUPPLY CHAIN AND OPERATIONS	FINAL STAGES OF THE VALUE CHAIN	GROUP FINANCIAL RISKS
Business interruption and damage to physical assets	Short-term market demand disruption	
Water stress and heat waves threatens value chain in certain geographies	Dependence on demand for certain products in certain geographies	
Increase in the cost of fossil fuel-based activities	Elasticity of demand to cost pass through	
Devaluation of carbon-intensive physical assets	Innovative competitors challenge market share	
	Consumer preferences shifting towards sustainable alternatives	
	Consumer perceptions of the Group and its brands	Investor sentiment towards Inditex's climate strategy
		Market shock resulting from disinvestment in carbon-intensive sectors
		Demands related to the contribution to climate change

5.10.5. Information security and privacy

GRI 102-11; 103-2; 103-3 AND 417-1

5.10.5.1. Information security

Digital transformation is one of the keys to improving the shopping experience, enabling customers to interact with brands and have their needs met at all times, regardless of the channel they use. In this regard, the Company sees Information Security as a key aspect to address this transformation with the utmost rigour, supported by **best practices in information protection** and resilience of the processes that underpin these channels.

Mindful of the importance of continuously improving the Information Security management model, at Inditex we continue to invest in technologies and controls that allow us to achieve global strategic objectives, complying with the principles and guidelines for the protection of information defined and reinforced by the Board of Directors in 2019 through the Information Security Policy.

To achieve these objectives, the Company assigns the highest priority to the protection of information and the availability of all processes that support these channels. The Information Security Department is the area responsible for ensuring this, and the Information Security Committee, as provided in the Information Security Committee Regulations, is the body that supervises implementation of best practices in security management, compliance with applicable regulations and effective and consistent application of ethical values throughout the Company.

In this regard, during the financial year 2021, the Next Generation Cybersecurity project was completed. This is a strategic plan executed in collaboration with international experts in various fields and areas, aimed at maintaining, improving and evolving the maturity of the Information Security programme. As a result of this project, a number of actions and initiatives have been identified based on the Company's needs and challenges for the coming years.

In addition to the aforementioned activities, progress has been made in various initiatives aimed at improving the protection of in-store and online sales channels, and improvement processes have been established for the supervision of the security requirements defined. As a result of global cybersecurity incidents in companies' supply chains, the need to step up controls has become apparent. Con-

sequently, existing control programmes have been reinforced, with a particular focus on the **impact of cybersecurity**. To this end, we have extended the existing control framework, based on best practices and security standards, including a review of how our suppliers operate, access the systems or manage Inditex's information, with the aim of reducing the risk of threats to the information or the availability of these services.

We have also continued to implement a range of training campaigns for our employees and partners, aimed at assessing and enhancing their level of security awareness and knowledge.

In 2021, as a result of the covid-19 pandemic, the Group has continued to reinforce plans, systems and controls for remote working, as well as the management of risks in this context. Furthermore, because of the increase in cyber-attacks on companies worldwide, which have not had a significant impact on the Company's operations at the time of writing this Report, the working groups set up the previous year continued their activities, and new groups and activities were established and defined. These groups, under the supervision of the Information Security Committee, have been tasked with continuing to design and implement new initiatives, and overseeing those already in place.

5.10.5.2. Personal data protection and privacy

Respect for privacy is one of Inditex's main values. In order to continue to develop our **privacy culture** and accompany the business teams and corporate areas in the company's digital transformation strategy, during the financial year 2021 we worked on several fronts.

Firstly, with regard to our customers, we have stepped up collaboration with the business teams with the aim of ensuring that the projects we carry out to improve the shopping experience that involve the processing of our customers' personal data build in privacy from the design stage.

The aim is to ensure that our **customers' personal data is protected** in keeping with the applicable regulations, authorities' interpretations, case law and market trends, as well as with the internal standards adopted by the Inditex Group. Thus, we guarantee transparency and information on the use of customers' data and the effectiveness of their rights. In this regard, we have developed the information provided in our privacy policies on our websites and applications, so as to adapt them to the functionalities and projects devised by our business teams.



We have also worked tirelessly on the **continuous improvement** of our compliance model in connection with data protection and privacy. Accordingly, we have focused on evolving and further developing the role of our Corporate Data Protection and Privacy Department as a control area (second line of defence), with the supervision of our global Group Data Protection Officer (DPO), reporting to the Audit and Compliance Committee.

Within the framework of this continuous improvement, we have instrumented a series of procedures and instructions with which, by developing our Personal Data Protection and Privacy Compliance Policy, we have been working in recent years, among others:

- Personal Data Protection Procedure from Data Design and Processing.
- Instruction for carrying out Risk and Impact Assessments with regard to Personal Data Protection.
- Procedure for compliance management regarding Personal Data Protection and Privacy – DPO Statute.
- Procedure for Storing Personal Data.

For our employees, given our aim of fostering a culture of privacy involving everyone who is part of Inditex, we have launched training and awareness

actions throughout this period that have ranged from training sessions for store personnel in some markets through to the creation of an online onboarding course on data protection and privacy for all personnel.

Lastly, we have continued to work closely with Occupational Health and Safety in order to ensure that measures to protect the health of our employees in the face of the covid-19 pandemic were also consistent with applicable privacy regulations and Company standards.