





GLOBAL AND CROSS-CUTTING SUSTAINABLE APPROACH



Sustainability is integrated into all the phases of our business model, as well as throughout the life of the product. This includes all the stages of our global supply chain, ranging from design from design and sourcing, to manufacturing and quality assurance, logistics, and the point of sale itself, both in stores and online.





The Sustainability Roadmap

Our approach to sustainability is based on values inherent to our business, such as non-conformism and proactivity, and on the willingness to ensure that all the business areas provide leverage for change to achieve our goal: becoming an increasingly sustainable Company.

Inditex mission is to make a positive impact on our customers, on our employees, on the supply chain and on the planet.

Our desire to be more sustainable has led us to design a Sustainability Roadmap to serve as limitless working guidelines, but including specific action plans. They are founded on two cornerstones:

- A commitment to the circular economy and decarbonisation.
- Fully adhering to the Sustainable Development Goals and aligning our strategy with the United Nations 2030 Agenda and, ultimately, to the promotion and respect of human rights.

Sustainability is integrated into all the phases of our business model, as well as throughout the life of the product. This includes all the stages of our global supply chain, ranging from design and sourcing, to manufacturing and quality assurance, logistics, and the point of sale itself, both in stores and online. In order to secure this integration, we have developed and implemented several

policies and procedures, which we apply both to our own operations and those of third parties.

The core policies and strategies steering our sustainability actions in the value chain are as follows:

- Inditex's Human Rights Policy.
- Corporate Social Responsibility Policy.
- Inditex's Environmental Sustainability Policy.
- Forest Product Policy.
- Code of Conduct for Manufacturers and Suppliers.
- Product Health and Safety Standards: *Clear to Wear (CtW)*, *Safe to Wear (StW)* and the I+ (IPLUS, *Inditex Precautions and Limits for Users' Safety*) standards.
- Social Management of the Supply Chain: *Workers at the Centre 2019-2022 Strategy*.
- Global Water Management Strategy, Global Energy Strategy, and Biodiversity Strategy.

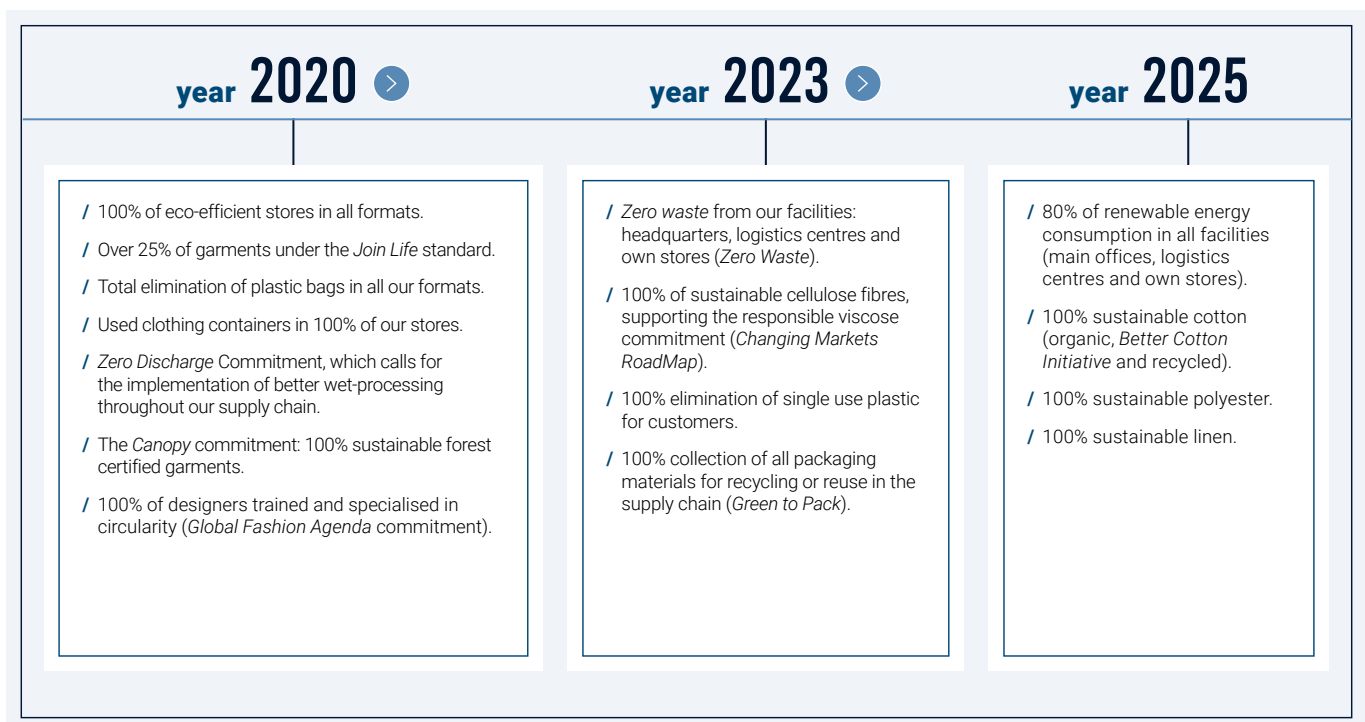
Drawing from these policies and strategies, we have implemented several programmes which are constantly evolving, since they are developed in an ever-changing environment and context. Thus, we also remain steadfastly committed to innovation and ongoing improvement in

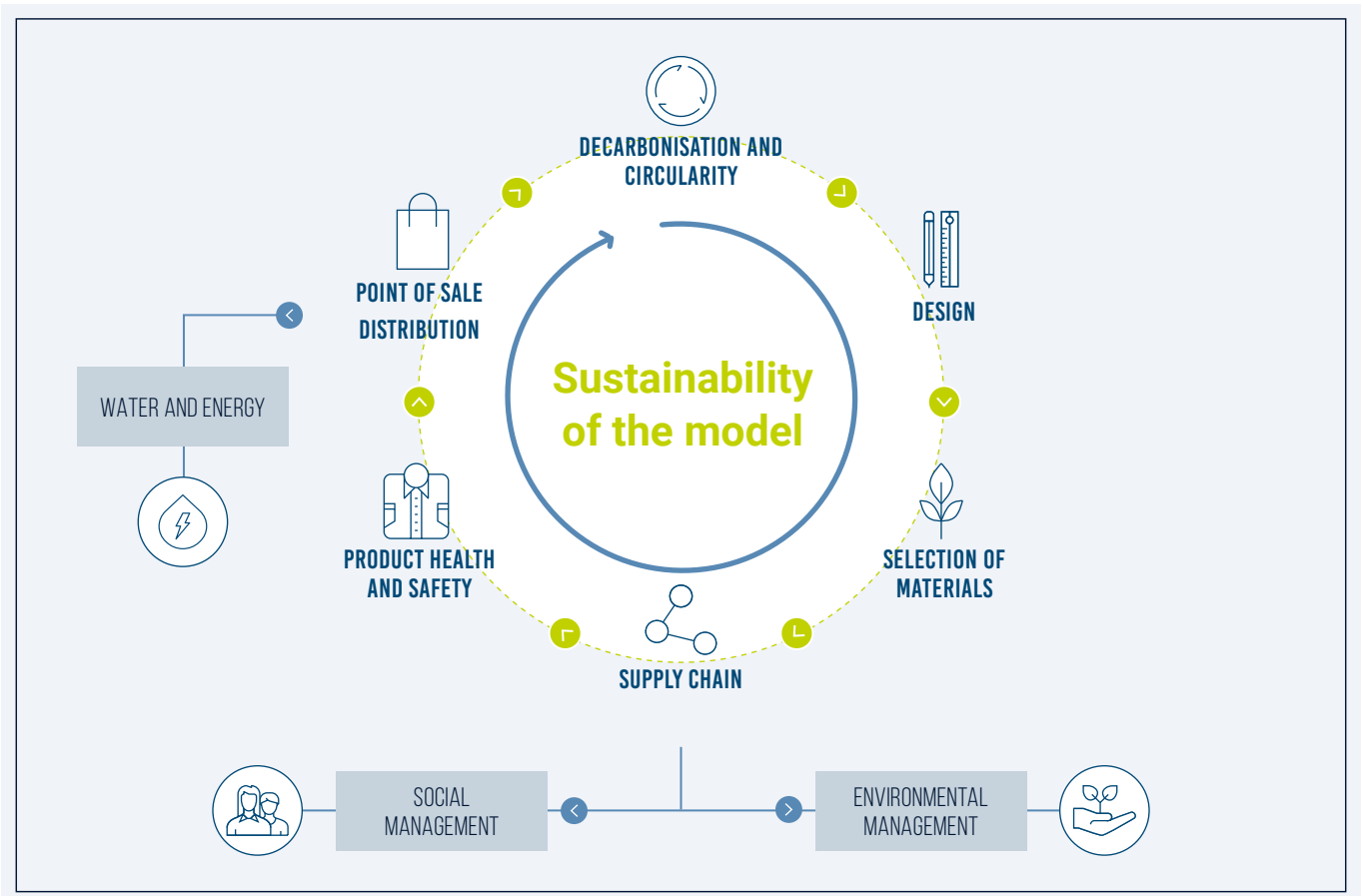


the area of sustainability: from the search for new, more sustainable materials, to the use of new technologies and innovative approaches to the social management of the supply chain, and enhancing the efficiency of water and energy consumption in our facilities and activities.

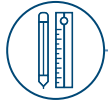
We are aware that global contribution to a sustainable society is a necessity. For this reason, we partner with several stakeholder groups and hold alliances with several international organisations in order to develop and apply our social and environmental sustainability strategies.

This enables us to make the greatest positive impact throughout the value chain. Furthermore, we believe that the future of sustainability must increasingly progress towards an open approach in which partnerships are the cornerstone upon which the industry must evolve. At Inditex, we have spent years enhancing this approach. An example of this is our collaborations with the International Labour Organization (ILO), IndustriALL Global Union, Zero Discharge of Hazardous Chemicals (ZDHC), Global Fashion Agenda, Affirm, Sustainable Apparel Coalition (SAC), and the CEO Water Mandate, in addition to others.





GLOBAL AND CROSS-CUTTING SUSTAINABLE APPROACH



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Design

SDG	Goals	Inditex contribution
	12.2	Through our commitment to ensure that all the Group's designers have been trained in the principles of circular economy by 2020, we champion the production and marketing of more responsible and sustainable products.

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

The creation of a new garment begins with a design process which, in addition to inspiration and creativity, must also consider the various materials to be used, the processes required for production and the possibilities of extending its useful life, whether through greater durability or recyclability.



Along these lines, at Inditex we have defined a training programme to ensure knowledge of the principles of circular economy among all our designer teams.

As a first step, an online course is being provided, which addresses both the concept and the main strategies of circular design: training on the technical and functional characteristics of the various types of fibres and raw materials to enable the incorporation of alternative recycled materials to be assessed, design set out to increase the recyclability possibilities of the components of a garment and design focused on extending product durability.

This technical training includes materials, procedures and tools, in line with the commitment assumed by Inditex to the *Global Fashion Agenda* ensuring that all our designers have been trained in the principles of circular economy by 2020.

Thus, in 2019, we have notably boosted awareness-raising on this matter in our teams and we have developed content and methodologies for environmental sustainability

training. Training has been provided at our headquarters, logistics centres, factories and own stores, in Spain (where the headquarters of Inditex are located) and in many other markets where the company is present, such as France, UK, Netherlands, China, Korea, Japan, United States, Argentina and Brazil. Specific content has been developed according to the needs of every group, ranging from basic sustainability concepts or a review of the Inditex sustainability strategy, to product knowledge and how to make it more sustainable.

UPWARDS OF 10,000 EMPLOYEES HAVE RECEIVED TRAINING ON ENVIRONMENTAL SUSTAINABILITY IN 2019

The design stage is also highly relevant from a product health and safety perspective, since this phase defines the raw materials that are going to be used. This is crucially important to the subsequent manufacturing stages.

Along these lines, and to ensure that our items are safe and healthy as of this point in time, we provide our suppliers (those tasked with producing the item) with in-depth information on the design, the raw materials chosen (fabrics, sewing threads and interlinings) and the accessories (buttons, zips, and appliqués), as well as the manufacturing processes to be undertaken, and the dimensions of laces or drawstrings, if applicable.

Our commitment: *All designers in the Group to be trained in circular economy principles before 2020.*

IN 2019 WE CARRIED OUT A NUMBER OF COMMERCIAL INITIATIVES WHERE THE DESIGN OF COLLECTIONS WAS BASED ON THE SELECTION OF ESPECIALLY SUSTAINABLE MATERIALS:

In Bershka we launched a collection jointly with *National Geographic* inspired in nature and made using materials such as recycled polyester or organically grown cotton.



Also in Zara, we launched a *denim* clothing collection made from recycled jeans. To do so, we used garments recovered from non-profit organisations that collaborate with our *Closing the Loop* programme for collecting used clothing. This programme enables us to extend the useful life of products, creating new garments from recycled materials.



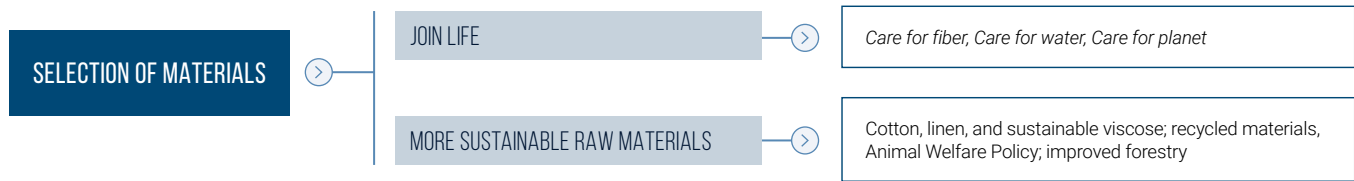
In addition, the *Care for Water* collection is the start of a partnership between *Water.org*, *Organic Cotton Accelerator (OCA)* and Zara. The initiative seeks to make a positive impact on water management in organic-cotton-producing communities. Therefore, all the garments have been made paying special attention to water usage, using materials and technologies to reduce its consumption and preserve fresh water resources.



At Zara we created the *Upcycled Outerwear* Collection, produced using recycled polyester obtained from plastic waste. This material has been picked up on beaches and riverbanks on the Riviera Maya coast, in coastal areas where there are no waste management systems.



Selection of materials



SDG	Goals	Inditex contribution
	12.2	We use the Join Life label to identify all garments made of the most sustainable raw materials and the most environmentally friendly production processes. Through Join Life, we endeavour to curb our impact and steadily boost the level of demand of sustainability criteria in our garments.
	12.8	
	15.1	Our Biodiversity Strategy, which is based on the principles of the United Nations Convention on Biological Diversity, and the Forest Product Policy includes our commitment to forest ecosystem and nature conservation. We thus pay special attention to the raw materials we choose to make our products, as these decisions have a direct impact on biodiversity and the use of natural resources.



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

At Inditex we are committed to the protection and development of biodiversity through the responsible and sustainable management of natural resources. This commitment is mirrored in our Biodiversity Strategy, based on the principles of the United Nations Convention on Biological Diversity, the purpose of which is to protect biodiversity throughout all the levels of our activity and provide guidelines to enable our business decisions to meet ethical and environmental criteria.

For this reason, we pay special attention to the raw materials we choose for our products, as these decisions

have a direct impact on biodiversity and the use of natural resources:

- We have increased the use of sustainable raw materials such as organic cotton, TENCEL® Lyocell and recycled fibres.
- We train our supply chain to manage their resources responsibly.
- We use sustainable sources in our wooden furniture and paper products.



Our commitment: Over 25% of garments to be Join Life in 2020

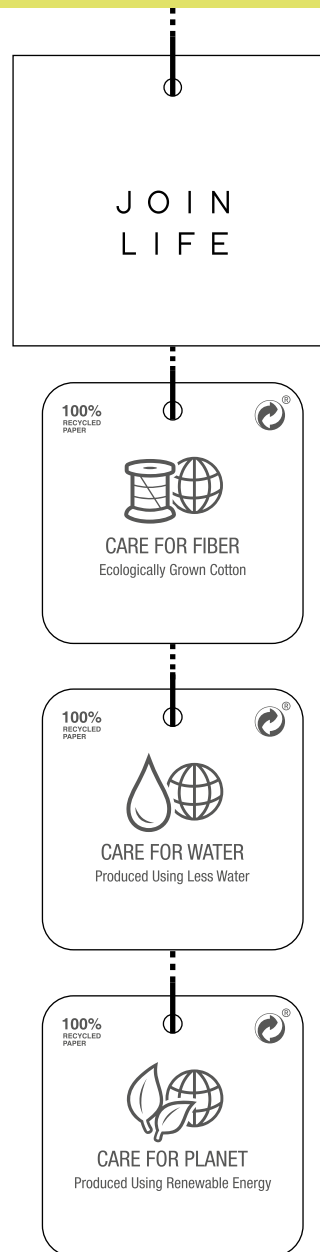
01/ Join Life

At Inditex we use our *Join Life* label for garments made of the most sustainable raw materials and the production processes that are most respectful of the environment. Through *Join Life*, we endeavour to curb our impact and steadily boost the level of demand of sustainability criteria in our garments. *Join Life* sets the bar that our whole production must aim to reach.

Join Life is based on acknowledged standards for raw material, production and traceability, supplemented by audits that safeguard a high level of performance from both a social and environmental viewpoint. For example, as regards viscose, solely the fibres that already meet the CanopyStyle initiative requirements and the commitments set out in the Changing Markets RoadMap are admitted into this category.

All *Join Life* garments use raw materials and production processes that reduce environmental impact.

All our formats have worked throughout 2019 on our *Join Life* standard. Some of them raised the number of *Join Life* items they launched into the market by more than 20%. This is the case with Oysho (37%), Bershka (25%) and Zara (21%). Our brands' drive has meant that 19% of our garments were sold under the *Join Life* label in 2019, in line with the 2020 target of 25% of Inditex garments in the market sold under this label.



Care for fiber. We use the *Care for fiber* label for garments produced using the most sustainable raw materials such as organic cotton, TENCEL®Lyocell 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. Garments produced using processes which help reduce emissions and the use of chemical products in production processes. The use of technologies such as renewable energy consumption or tanneries certified by *Leather Working Group* enable us to carry out washing, dyeing or tanning processes in a more sustainable way.



Our commitment: 100% of the cotton, polyester and linen used in our products will be recycled or will come from sustainable sources in 2025.

02/ More sustainable raw materials

IN 2019, WE INCREASED THE USE OF RECYCLED MATERIALS BY 250%

The selection of materials is a core element of the design process. In line with the principles of our Environmental Sustainability Policy and our Sustainability Roadmap, one of our priorities is to champion the use of more sustainable fibres that have a better environmental performance and involve more efficient consumption of resources.



In 2019 we consumed approximately hundreds 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. According to their weight, this year's consumption in these categories was 89% and 11%, respectively.

In turn, the fibres category is classified – according to their source – into three different groups, the weight of which varies according to their consumption which, in 2019, was as follows:

TYPE OF FIBRE	DESCRIPTION	% OF TOTAL FIBRE CONSUMPTION (BASED ON WEIGHT)
Natural fibres	Natural filaments that can be threaded to obtain strands, threads or twine.	50%
Synthetic fibres	Polymers that are not naturally produced, but created in a chemical plant or a laboratory, almost always using petroleum or natural gas by-products.	38%
Artificial fibres	Are made using a natural component as a raw material that undergoes a number of processes in a chemical plant or a laboratory.	12%

Non-fibres include different raw materials of a natural origin (vegetable, animal and mineral) and artificial, whose relative importance in the overall consumption of the Group does not merit an individual breakdown.


Our commitment in this area has enabled us to achieve the following results of tons of sustainable raw materials used for the garments made available for sale, with goals for 2025.

2019		
RAW MATERIAL	TONS	% VARIATION COMPARED TO 2018
Sustainable cotton (organic, BCI & recycled)	38,676	105%
Recycled polyester	5,332	183%
Sustainable linen	1,813	581%
Sustainable viscose	6,692	111%

IN 2019, WE INCREASED THE USE OF SUSTAINABLE COTTON BY 105%

Cotton is the most common raw material used to produce our garments. For this reason, we have decidedly committed to organically grown cotton, enabling us to improve our environmental performance, since it is grown with more sustainable practices and solely use non-GMO seeds.

Our commitment is summarised as a collaboration with the most relevant international initiatives that foster the sustainability of the cotton sector. Thus, we are members of the Textile Exchange, we partner with the Better Cotton Initiative (BCI) and we are one of the founders of the Organic Cotton Accelerator (OCA) initiative. Since 2017, we have also held a public-private partnership with the International Labour Organization to improve the working conditions of workers in the cotton supply chain.

 More information about our collaboration with civil society in the chapter on Partnerships and Collaborations, on page 309 of this Annual Report.

We seek to highlight and promote the best technologies and the use of more sustainable raw materials such as TENCEL®Lyocell, organic cotton and linen, the most sustainable viscose meeting the standards of the *European Union Best Available Techniques* and fabrics made from recycled polyester, polyamide, cotton and wool. Furthermore, as a new feature during 2019, we have

included recycled leather, enabling us to leverage the waste generated in large amounts from the leather production process, and curb the environmental impact resulting from dumping them in landfills.

The impetus to bring recycled materials into our collections is mirrored in its striking rise in use. In 2019, we have launched to market a total of 7,589 tons of items with recycled materials, resulting in a 250% increase on 2018. At the same time, Inditex ranks eighth in the classification of companies with the highest volume of consumption of recycled cotton.

As a result of this strong commitment to using more sustainable raw materials, in the 2019 edition of its report *Material Change Insights Report*¹, the independent organisation Textile Exchange positioned Inditex as the third company in the world in terms of volume of organic cotton consumption, and fifth in terms of volume of recycled cotton. It also ranks our company second in the use of the Lyocell sustainable fibre, in fourth place worldwide in the consumption of sustainably sourced cellulose fibres, and tenth in terms of volume of consumption of recycled polyester. In its Material

Change Index (MCI), for the first time ever, we reached the Leading performance level in the cotton category and in the alignment with the SDGs category.

In order to advance in the compliance of the goals set, during 2019 we have continued to promote innovation in the development of new materials and technologies to improve the sustainability of the textile fibres used. The new lines of research consider improvements focusing both in the optimisation of the consumption of virgin materials and their subsequent recycling. We continue to foster various lines of collaboration, both with members of our supply chain and with renowned academic institutions, to encourage research on sustainability in the textile industry.

In this regard, at Inditex we work with prestigious entities such as the *Massachusetts Institute of Technology* (MIT) and *Cáritas*, among others, to advance in textile recycling processes and technologies to help us comply with our strategic circular economy goals. It is also worth mentioning the collaboration with the Austrian company *Lenzing* to transform textile waste into a new material, *REFIBRA™ Lyocell*, for reuse in our products.

(1) Source: Material Change Insights Report 2019, Textile Exchange.



Collaboration with Organic Cotton Accelerator (OCA)

We are one of the founding members and part of the *Investment Committee* on Organic Cotton Accelerator, a multisectorial initiative that supports organic cotton producers to ensure the sustainable growth of the industry and that all players benefit from the grower to the end consumer. The growing of organic or ecological cotton only uses natural fertilisers and pesticides, and avoids the use of genetically modified organisms (GMOs). During 2019 Inditex has taken part in several Farmer Engagement and Development (FED) programmes. Directly collaborating with upwards of 5,900 small farmers and training them in organic practices, this helps to preserve local biodiversity, enrich soils, eliminate chemical fertilisers and pesticides, as well as to prohibit the genetic modification of seeds.

Every dollar invested in OCA programmes improves the returns and prosperity of farmers, contributes to environmental sustainability and, lastly, bolsters the integrity of the cotton sector. Farmers are the catalysts of this change, enabling the sector to be strengthened and helping to protect the planet. This has a positive domino effect: their income increases, their families and communities prosper, and the soil and land upon which they farm are more fertile. This translates to increased local biodiversity and better planet protection.

Farmers beginning to use organic practices thanks to the FED programmes, acknowledge that they improve the quality of the soil upon which they farm, which leads to increased income.



Our commitment: 100% of sustainable cellulose fibres, supporting the responsible viscose commitment for 2023.

In 2019, we joined the European Commission *Product Environmental Footprint (PEF) for Apparel and Footwear* project. This is a three-year project (2019-2021) with the aim of creating the set of rules to calculate the relevant environmental information associated with products. Thus, this project follows on from the work carried out in 2016 when we took part in the European Commission PEF for footwear.

02.01/ Boost to the use of more sustainable artificial fibres



Our commitment to forest protection is inseparable from our endeavours to guarantee the sustainability of our products and our business.

As regards artificial cellulose fibres, we continue to progress in meeting the goals set in our Forest Product Policy and in our Sustainability Roadmap. They establish that, by 2020, any artificial fibres used to make Inditex garments will not come from protected forests. This commitment is also strengthened through collaborations with organisations such as Canopy Planet and Changing Markets.

Specifically, our collaboration with Canopy Planet is part of the *CanopyStyle* initiative. Inditex and other textile brands champion the protection of primary forests of high ecological value among the world's main manufacturers of fibres sourced from forests.

Over 200 brands have currently adhered to this initiative, thanks to which, in 2019 we have managed to achieve the figure of 88.6% of the world's fibre production now coming from manufacturers who support a policy that eliminates the supply of materials from primary forests, while progressing in innovative solutions to reduce the pressure on the forests. Moreover, 65% of the world's production comes from manufacturers who have completed the audit process and 42.5% of the world's production is free from the risk of being supplied from primary forests.

Beyond the source of the raw material, we also partner with Changing Markets Foundation to safeguard more sustainable viscose production throughout the supply chain. Through this partnership we have integrated the organisation's roadmap (*Roadmap towards responsible viscose & modal fibre manufacturing*) into our Forest Product Policy.



Leadership in the transition towards responsible viscose

For the second year running, Inditex is included in the *retail frontrunner* category thanks to its strong support of production and sale of responsible viscose, according to the report *The Dirty Fashion Disrupted: Leaders and Laggards Revealed* created by Changing Markets Foundation.

The latest edition of this study assesses the efforts made in transparency, sustainability and environmental impact in the production and sale of viscose and other cellulose fibres of 91 companies worldwide, as well as its main suppliers.

The organisation has assessed the joint work with suppliers in the transition towards responsible viscose. The study also highlights our commitment to sustainably sourced textile cellulose fibres in our Sustainability Roadmap for 2023.

Our internal laboratories apply the most demanding international standards in their testing, in order to ensure the thorough inspection of the product.

Checking the raw material

Once the raw material has been chosen, we verify – from the sourcing stage (in fabrics, such as leather, piping and appliqués, in addition to others) – compliance with our health and safety standards. The dyeing, printing, and finishes are also verified.

In order to ensure the thorough inspection of the product in these initial phases of its cycle, we have a network of internal control laboratories that conduct testing pursuant to the most-demanding international standards. These laboratories, thus, become an effective instrument to foresee possible breaches of our product health and safety standards – Clear to Wear and Safe to Wear.

We currently have an internal analytical structure with six laboratories and with the necessary technology to be able to analyse up to 18 substances and parameters regulated under the Clear to Wear and Safe to Wear standards. At these facilities we are also tasked with overseeing the conformity of fabrics with our standards' health, safety, and quality parameters.

 More information about health and safety standards on page 153 of this Annual Report.

02.02/ Animal Welfare Policy

Our Animal Welfare Policy includes ethical standards in the use of animal-based products, pursuant to the *Five Freedoms* of animal welfare for the ethical and responsible treatment of animals, and it has been developed in partnership with the Humane Society of the United States (HSUS).


All animal-based components in items marketed by our brands must be sourced from ethically and responsibly treated animals. We do not use leather or products originating from animals exclusively slaughtered to sell their leather, shells, horns, bones, feather, down, or any other material, or cosmetics tested on animals.

By virtue of our commitment to PETA, we have not marketed any products with angora wool since 2015, and we have also committed to phase out the small number of products our apparel brands sell containing mohair, so all their products will be completely mohair-free by the 2020

Spring-Summer campaign. Similarly, and as members of the Fur Free Alliance Fur Free Retailer programme since 2013, we do not use fur.

 More information at: <https://www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare>

02.03/ Collaboration for improved forestry

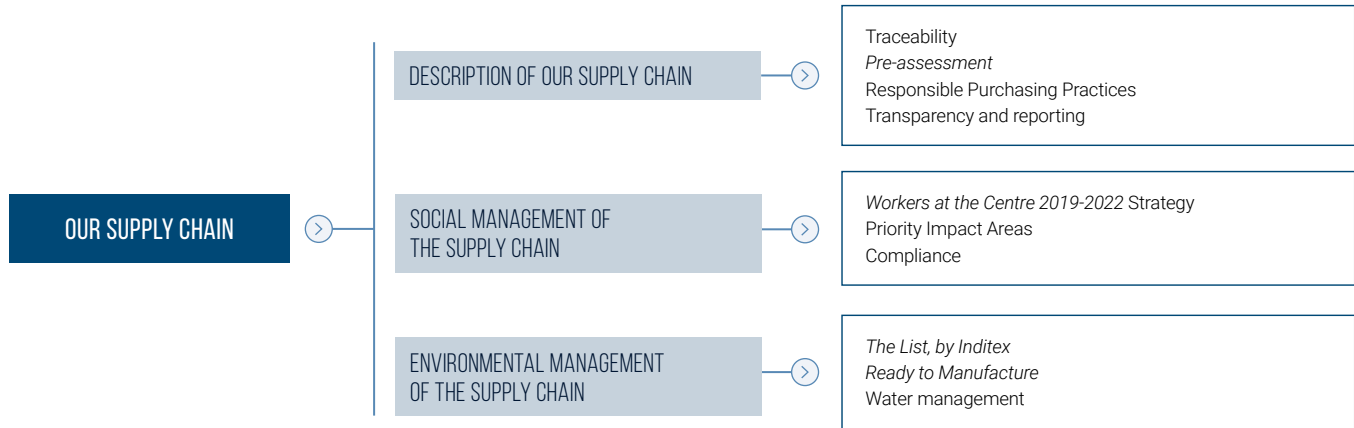
The textile sector uses vast amounts of forest products: cardboard and paper, used in the transport of our garments from production until they reach the store; and plant fibres in some of our garments. This is the reason why our commitment to forest protection is relevant. 

Within the framework of our forestry strategy, we have been collaborating since 2007 with the Xunta de Galicia and the Forestry Research Centre of Lourizán, supporting its programme of genetic improvement of the many forest species of Galicia. The commitment was bolstered in 2015, with the creation of a biological carbon sink model at Mount Pico Sacro, also designed as a forestry laboratory for training and awareness-raising purposes, in collaboration with the Forest Stewardship Council (FSC) and the Forestry Association of Galicia. Several training activities have been carried out since its launch, ranging from tree-planting and pruning courses, to specific sessions for forestry technicians and certification and protection of the territory.

In 2019, we also obtained the FSC certificate for ecosystem services for carbon and diversity at Pico Sacro. Thus, the site has become Spain's first SLIMF-type (*Small and Low Intensity Managed Forests*) biological sink to receive this certificate. According to the calculation process recommended by the Spanish Climate Change Office, it is estimated that with the new plantings carried out at Pico Sacro on 31 January 2020, CO₂ absorption by trees will reach the figure of 683 tons over the next 30 years.

This year, we have also consolidated the certification of non-wood forestry products with the SCLO (*Small and Community Label Option*) label. The goal is to create FSC-certified products to be sold under the FSC SCLO label.

Our Supply Chain



SDG	Goals	Inditex contribution
	12.2	Our commitment to the supply chain is crucial to ensure a responsible model both in terms of production and consumption. By virtue of our efforts in applying standards and policies on traceability, transparency and responsible purchasing practices, we can ensure that our sustainability principles are applied throughout the supply chain, while simultaneously providing information on them to our stakeholder groups, thus, championing a responsible model of production and consumption.

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

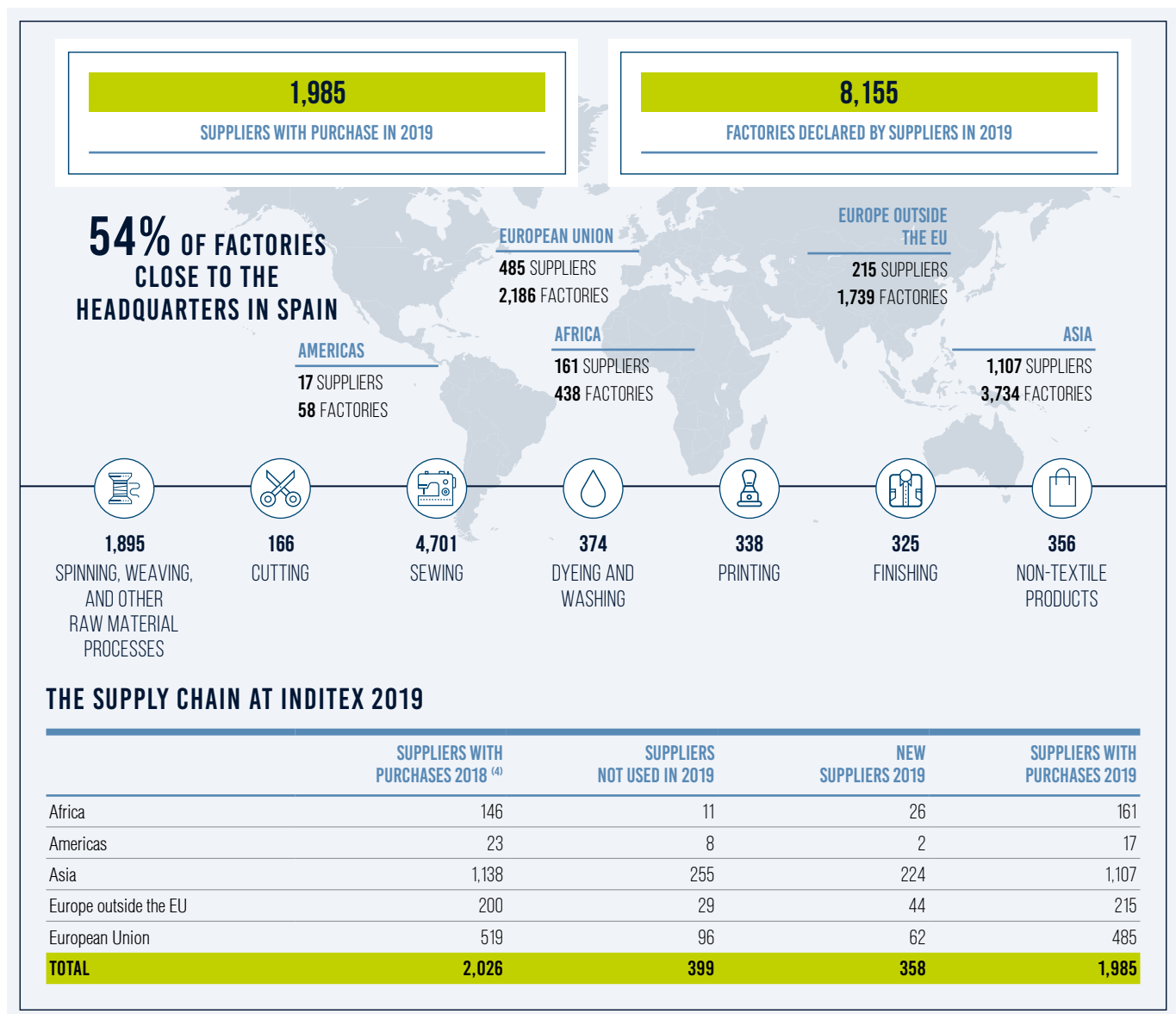


Description of our supply chain

One of the aspects that sets our business model apart is our supply chain. To a large extent, our products are manufactured and sourced in areas close to the design centres, ensuring the necessary capacity and flexibility to adapt production to changing trends and market demand. During 2019, 54% of the factories where our items were produced are nearby (in countries such as Spain, Portugal, Morocco, and Turkey).

In 2019, our supply chain comprised a network of 1,985¹ suppliers, which worked with 8,155 factories² providing work for 2.9 million people.

In 2019 we have extended the scope of the information reported on suppliers, also including suppliers pertaining to non-textile items³ (Extended Scope), which are also subject to all our standards and programmes.



(1) Suppliers of fashion items with a production of over 20,000 units/year in the 2019 spring/summer and autumn/winter campaigns. Suppliers with lower productions account for 0.27% of total production.

(2) Factories declared by the suppliers in the product traceability system for 2019 orders.

(3) This Extended Scope information is not comparable with that reported in previous years. Excluding the extended scope, the number of suppliers in 2019 would be 1,801 and the number of factories would be 7,799.

(4) The number of suppliers with purchase in 2018 includes the extended scope.

Considering the broad ecosystem of countries, suppliers, factories and, above all, workers and families linked to our production processes, we address our supply chain's social management with a responsible, transparent, and cross-cutting approach, subject to the respect of human rights in all its phases.

Furthermore, this responsible management requires sound policies and procedures to address the geopolitical, demographic, socio-economic and environmental challenges in the sourcing countries. The foregoing is conducted under strict standards, applied by the whole Company and transparently shared with our suppliers. With them we build stable and trusting relationships with joint responsibility, which foster a responsible and sustainable production environment.

The responsible management of our supply chain is based on:

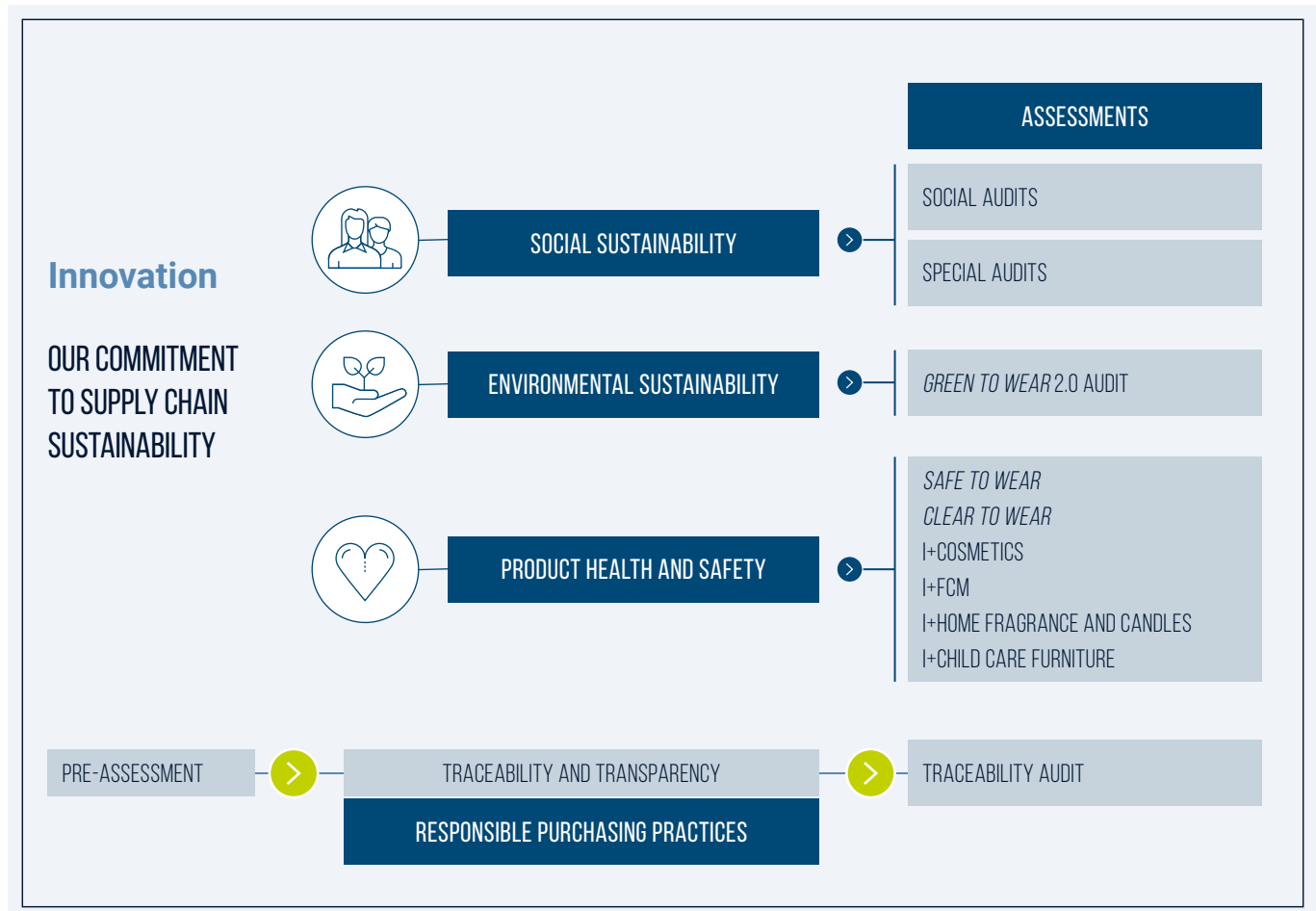
- **Social sustainability:** we work to ensure decent working conditions for the workers of the suppliers and factories comprising our supply chain.

- **Environmental sustainability:** we develop sustainable production and consumption initiatives, we foster the use of renewable energy sources and the reduction of emissions, and we guarantee the health and safety of our products, with the goal of protecting the biodiversity of the value chain and of our own products.

 More information in the sections Environmental Management of the Supply Chain - from page 148; Product Health and Safety - from page 152; and Decarbonisation and Circularity - from page 160 - of this Annual Report.

In order to apply our sustainability policies and procedures throughout the supply chain, the work of our 12 supplier clusters – comprising 96% of the total production – is crucial: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Brazil and Argentina. These clusters are spaces for cooperation and dialogue, the purpose of which is to foster a sustainable production environment in a strategic geographic area and within a framework of compliance with human rights and environmental friendliness.

 More information about Social Management of the Supply Chain on page 98 of this Annual Report.



01/ Traceability

The traceability of the supply chain is a vital first step in its management. With a global supply chain, we devote extensive efforts to raise awareness around the players involved in our production, to ensure they all comply with the Inditex sustainability commitments.

The Inditex traceability strategy is based on three core pillars.



01.01/ Traceability management system

The traceability management system used by Inditex and developed internally over more than a decade, has evolved to enable its use by all stakeholders (both internal teams and suppliers).

This evolution has enabled the scope of the information gathered and verified to be broadened, as well as that of the technology and methodology used, ranging from the initial approach on the finished product, to the inclusion of all the processes involved in manufacture, to the raw materials.

Suppliers are required to record each and every one of the factories they intend to use for our productions, which must pass the corresponding controls to be approved and authorised. Subsequently, for each order they receive, suppliers must assign the factories that are going to be involved, specifying units and processes, from the raw material to the finished product. Along these lines, each supplier is responsible for the factories it uses and it must work with Inditex to ensure compliance with all our sustainability standards.

In 2019, we have strengthened our efforts to guarantee the traceability of all the processes related to raw materials, including spinning, weaving, and raw material wet process facilities. This initiative poses a huge challenge both for Inditex and for its suppliers.

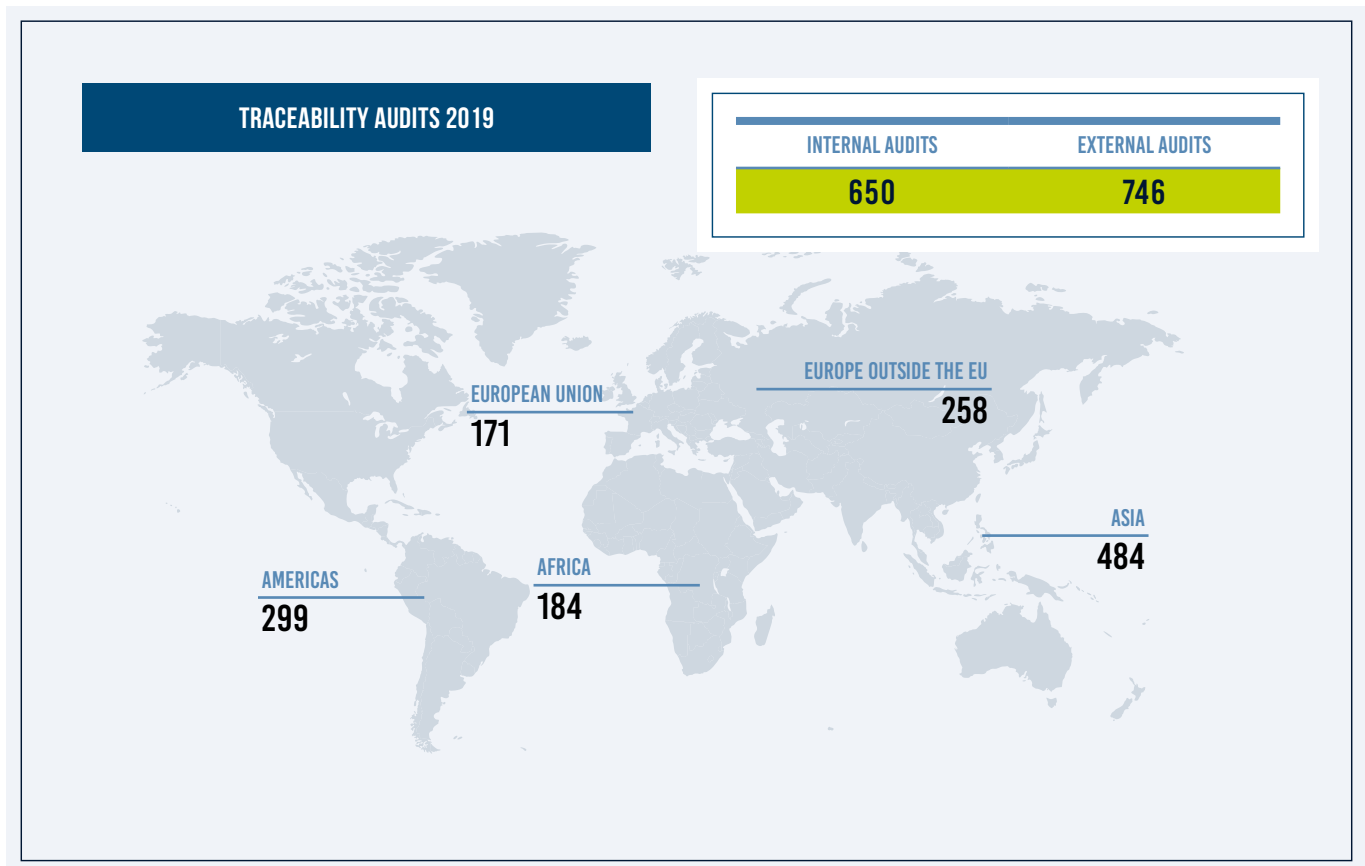
01.02/ Monitoring and awareness-raising among suppliers



All the suppliers must share our culture of sustainability as an essential requirement to be able to produce the items marketed by Inditex. This shared culture must begin even before the start of business relations, and the buying teams are tasked with first conveying the importance of being aligned to this effect.

Each supplier must know its supply chain and declare it to be complete in the traceability management system. Through this platform, the supplier can and must manage its supply chain, and it can receive and provide information on the social, environmental, and product health and safety aspects of each of the factories it uses. At Inditex we have various tools to verify the compliance of all the factories and we work with suppliers, when necessary, on their improvement.

Our criteria are strict because sustainability is a core element of our business model. Similarly, we offer the suppliers training, awareness-raising and support so that, together, we have a positive impact on the communities where we operate and, thus, to be a driver for social and environmental change and improvement in the industry.



Traceability audits

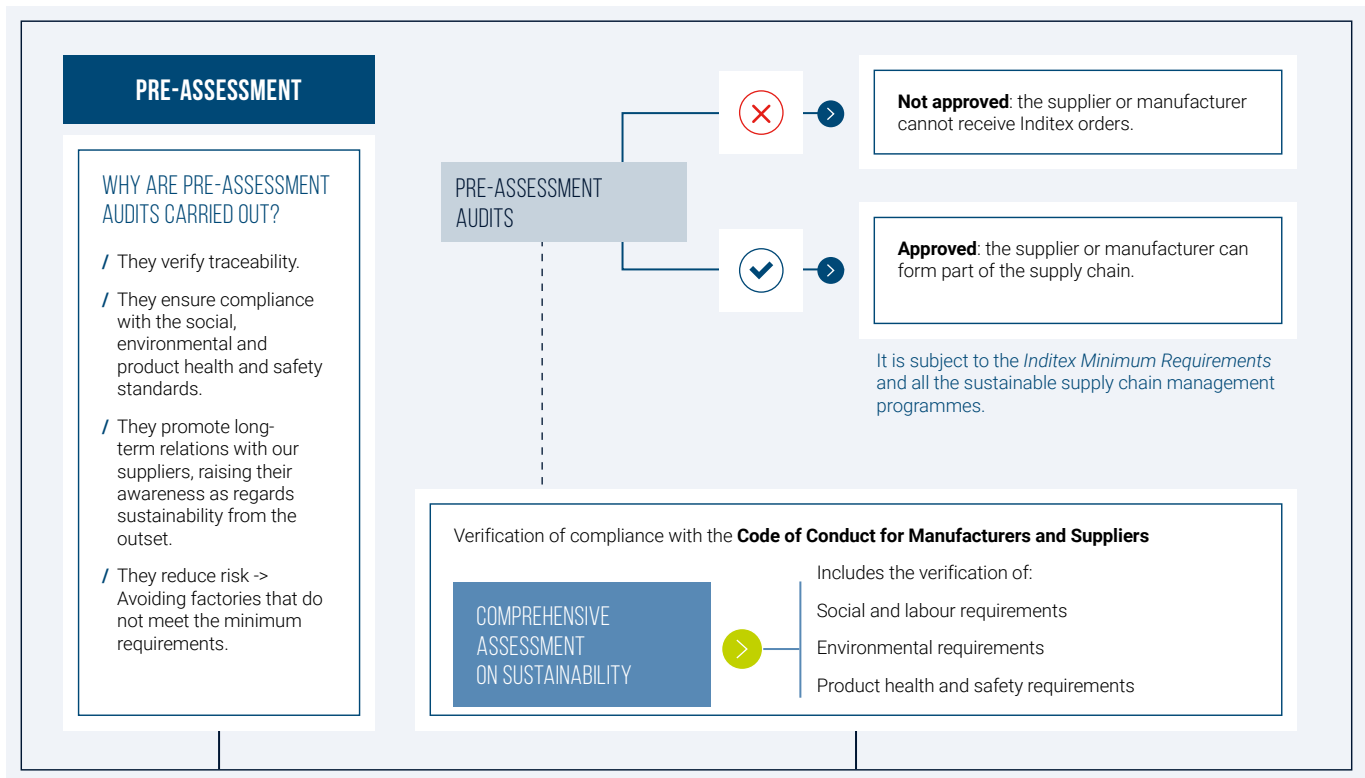
The traceability team monitors the assignment of manufacturers by the suppliers in each order placed. Based on this analysis, traceability audits are triggered, the methodology of which was updated in 2019. The main aim comprises verifying *in situ* that the Group's production is undertaken in duly declared and authorised factories.

The traceability audit methodology features two-step deployment. The first step comprises an unannounced visit to the factory's facilities to verify the production processes it can carry out, ongoing production and completed production. In the second step, the result of

the visit is compared with the information recorded by the suppliers in the platform (traceability management system), to demonstrate both the processes and the units completed by the factory.

A total of 1,396 traceability audits were conducted in 2019. The process of implementing the new methodology was staggered, to guarantee a correct and standardised operation, and to ensure the quality of the audits. The number of traceability breaches was 247, above the figure recorded in previous years. This is because the new methodology is able to detect inconsistencies more thoroughly. Non-conformities are categorised according to severity and, in all cases, corrective plans are established which the supplier must carry out.

The traceability of the supply chain is the vital first step in its management. In 2019, the methodology of the audits was updated and strengthened, to detect inconsistencies more comprehensively.



02/ Pre-Assessment

Even before forming part of the Inditex supply chain, 100% of aspiring suppliers and manufacturers are evaluated by a pre-assessment audit that guarantees that only those who comply with our sustainability standards can form part of our supply chain.

The *pre-assessment* audit is conducted by external or internal auditors and without prior notification. This type of audit was designed to verify the degree of compliance of potential business partners with the Inditex Code of Conduct for Manufacturers and Suppliers, and it contains the minimum requirements in terms of social and labour rights.

A noteworthy major milestone for 2019 is the extension of the scope of these *pre-assessment* audits. The

extended scope has involved bolstering the verification of the environmental and product health and safety requirements covered in the Green to Wear standard. Thus, it has become a more comprehensive assessment in terms of supplier sustainability, in a phase prior to the start of its relationship with Inditex.

Inditex carried out 2,789 *pre-assessment* audits during 2019, 612 more than in the previous year. A total of 2,767 of these were conducted by external auditors, who are trained to correctly apply the Inditex methodology.

Approved companies can receive orders from the buying teams and are subject from that moment to the standards laid down in the *Inditex Minimum Requirements* document, which includes the social, environmental and product health and safety requirements.

PRE-ASSESSMENT AUDITS IN 2019

GEOGRAPHIC AREA	PRE-ASSESSMENT AUDITS	APPROVED %
Africa	110	86%
Americas	12	83%
Asia	1,955	77%
Europe outside the EU	388	84%
European Union	324	94%
TOTAL	2,789	81%

The responsible purchasing practices are an essential part of our activity. With this goal, we have developed management systems that inform buying teams of the performance of each supplier and each factory to help with their buying decisions.

03/ Responsible purchasing practices

Supply chain sustainability is inherently linked to purchasing practices. At Inditex, the sustainability culture permeates the entire business model and, in particular, the purchasing area, since all its decisions are subject to sustainability criteria.

With this goal, we have developed management systems that let all the buying teams know the performance of each supplier and each factory in terms of the social, environmental and product health and safety aspects, to help with their buying decisions.

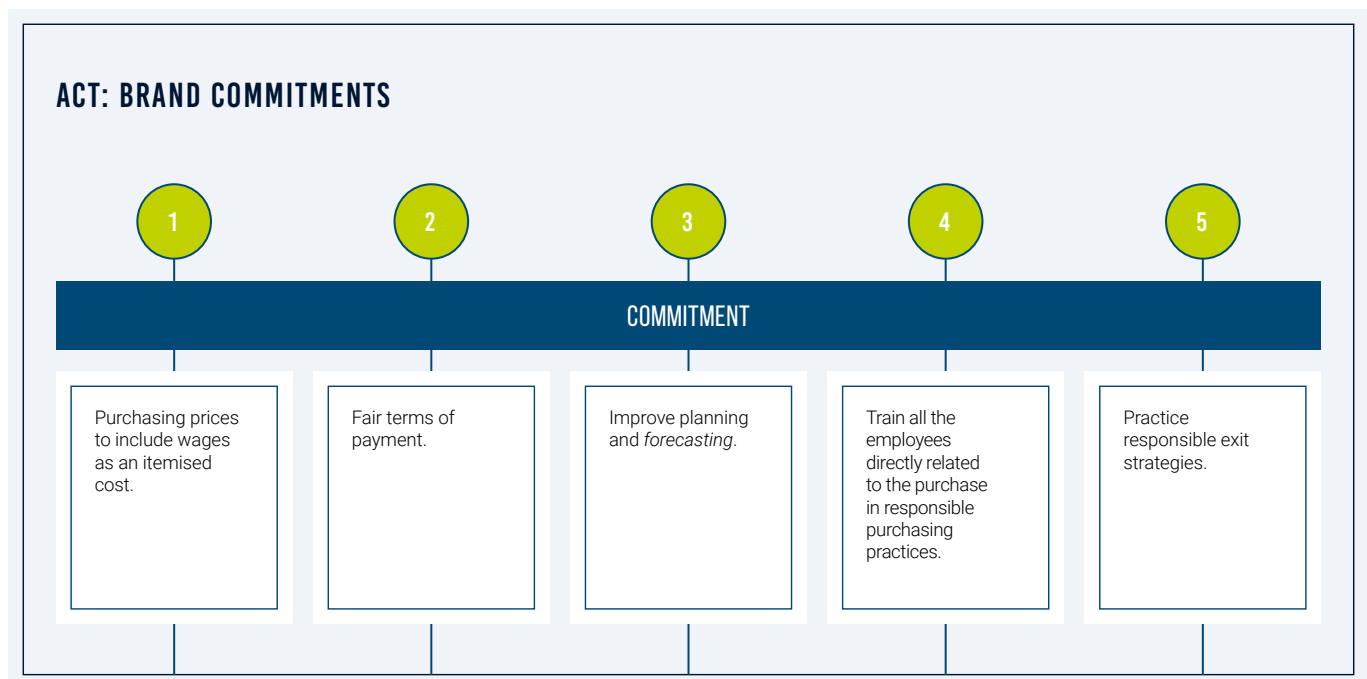
During 2019, we have continued to develop content and methodologies for environmental sustainability training. Upwards of 22,000 employees have received environmental information since 2014. In parallel, and with the goal of strengthening our commitment, we have taken a step further in this responsible approach and we have included sustainability-related goals in our employees' variable pay.

03.01/ Involvement and engagement of industry

At Inditex we uphold an open and collaborative approach with other bodies and we actively participate in the industry's global initiatives as the mainspring for positive impact, with the aim that the sector adopts widespread sustainable practices.

Following this philosophy, Inditex – together with other international brands and IndustriALL Global Union – is working with the ACT (Action, Collaboration, Transformation) initiative to transform the textile industry and achieve living wages for workers, through collective bargaining and the purchasing practices of brands.

In this sense, purchasing practices are one of the cornerstones of the industry's joint work that is being carried out through ACT. Thus, we integrate actions and commitments into our internal practices that apply to the entire industry. Along these lines, the ACT members have agreed upon the following five commitments relating to our purchasing practices:






Pursuant to the compliance with these goals, throughout 2019 we have trained 220 buyers from our headquarters and 75 buyers from the local teams in various clusters such as Turkey, India and Bangladesh.

As part of this training, we have addressed the relationship between responsible purchasing practices and the critical factors of a production's useful life, in order to assess the impact on the wage and life of the affected workers in the supply chain.

Furthermore, various events with suppliers and key buyers have been held, to assess various working methods in order to implement new parameters for measuring the five commitments.



 More information about the ACT initiative on page 111 of this Annual Report.

TRAINING EMPLOYEES ON SUSTAINABILITY AND RESPONSIBLE PURCHASING PRACTICES



SUSTAINABILITY CULTURE

ENVIRONMENTAL SUSTAINABILITY



22,012 employees trained since 2014.

RESPONSIBLE PURCHASING PRACTICES AND SOCIAL SUSTAINABILITY



220 buyers from headquarters trained in 2019.

75 buyers from local teams trained in 2019.



04/ Transparency and accountability

TRANSPARENCY AND ACCOUNTABILITY COMMITMENTS



STAKEHOLDER GROUPS

FEATURED CONTRIBUTION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

17 PARTNERSHIPS FOR THE GOALS

INDUSTRIALL GLOBAL UNION

Through the Global Framework Agreement renewed in 2019, IndustriALL has access to the full and up-to-date list of our suppliers and manufacturers and their degree of compliance with sustainability.

We provide IndustriALL and its local affiliates with access to all the companies comprising the supply chain.

More information on page 105 of this Annual Report.

INTERNATIONAL LABOUR ORGANIZATION (ILO)

109 factories in our supply chain in Cambodia, Vietnam, Indonesia and Bangladesh formed part of the ILO Better Work programme in 2019.

We also hold a public-private partnership to protect labour rights in the cotton supply chain.

More information on page 140 of this Annual Report.

CHINA'S INSTITUTE OF PUBLIC AND ENVIRONMENTAL AFFAIRS

We provide access to environmental information on our production. The list of direct and indirect factories that carry out wet processes declared by our suppliers is available to the public at the website: www.wateractionplan.com

NGOs

We partner with non-profit organisations and provide them with information on our supply chain. These include, *inter alia*, Greenpeace, Clean Clothes Campaign, Fashion Revolution, Baptist World Aid, etc.

More information on page 315 of this Annual Report.

INVESTORS, STOCK INDEXES

Our commitment to transparency and accountability has been rated positively by several organisations such as the Dow Jones Sustainability Index, FTSE4Good, and Corporate Knights, in addition to others.

More information on page 315 of this Annual Report.

CUSTOMERS

We inform customers who request it about the origin of our articles, as well as the conditions of the workers involved in their production. In addition, our Join Life labeling standard specifically discloses the sustainability parameters of our articles.

In 2019, we attended to more than 3,000 requests for information from our customers regarding the sustainability of our articles and our Join Life standard.

INDUSTRY

Through our involvement in initiatives such as the Bangladesh Accord and ACT on Living Wages, we share supply chain information with other brands and players in the industry to achieve a collective impact in the sector



Social Management of the Supply Chain

SDG	Goals	Inditex contribution
	3.9	Our commitment to guarantee safe and healthy working environments for the workers in our supply chain is mirrored in the Code of Conduct for Manufacturers and Suppliers and it is implemented in various initiatives and programmes that we conduct as part of our <i>Workers at the Centre 2019-2022</i> Strategy.
	5.1 5.2	Women hold a high percentage of jobs in the textile sector supply chain throughout the world. Therefore, we want to guarantee the equality of female workers and to champion their empowerment. To do so, we have a strategy based on SDG 5, which is deployed through three pillars: health, protection, and empowerment.
	8.5 8.7 8.8	This year we have approved our new social sustainability strategy, <i>Workers at the Centre 2019-2022</i> , through which we want to add value in priority impact areas that contribute to fostering decent work and the well-being of the more than two million workers comprising our supply chain.
	17.16 17.17	We collaborate and hold strategic partnerships with our suppliers, as well as trade unions, governments, NGOs, and relevant international organisations, such as the International Labour Organization (ILO) and the United Nations Global Compact, to progress towards sustainable development in the supply chain and work together to champion human and labour rights.



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

The socially responsible management of the supply chain is based on respect for human and labour rights and it is an essential part of Inditex's sustainable model. Over the years, we have built strategies and programmes that gather the international best practices and raise awareness on the supply chain, its context, and workers' needs. These strategies meet our approach to social sustainability, as a

result of the ongoing due diligence and our proximity to the suppliers, workers and stakeholder groups involved.

In 2019, we have implemented a new strategy for the social sustainability of the supply chain, which we have called *Workers at the Centre 2019-2022* (2019-2022 Strategy).

In 2019, we have implemented a new strategy for the social sustainability of the supply chain: Workers at the Centre 2019-2022.

The previous *2014–2018 Strategic Plan for a Stable and Sustainable Supply Chain* strengthened the sound basis of programmes and mechanisms to ensure compliance with Inditex's Code of Conduct for Manufacturers and Suppliers. Despite the fact that this strategy ended last year, its content continues to be implemented through a compliance approach, which is necessary to address our commitments to social sustainability in the factories in our supply chain and with the involvement of our suppliers.

Social sustainability has evolved rapidly in recent years and the current context is much more complex than when the last strategy was set out. Sustainability is envisaged in a cross-cutting way and, given that the business itself has also evolved, it must constantly adapt in the same way. Along these lines, there is more than one business case for the social sustainability of the supply chain and they have all been considered when drawing up the new strategy: responsibility as a company; non-financial risk management; the relevance of sustainability in the business model; increasing customer expectations or relations with

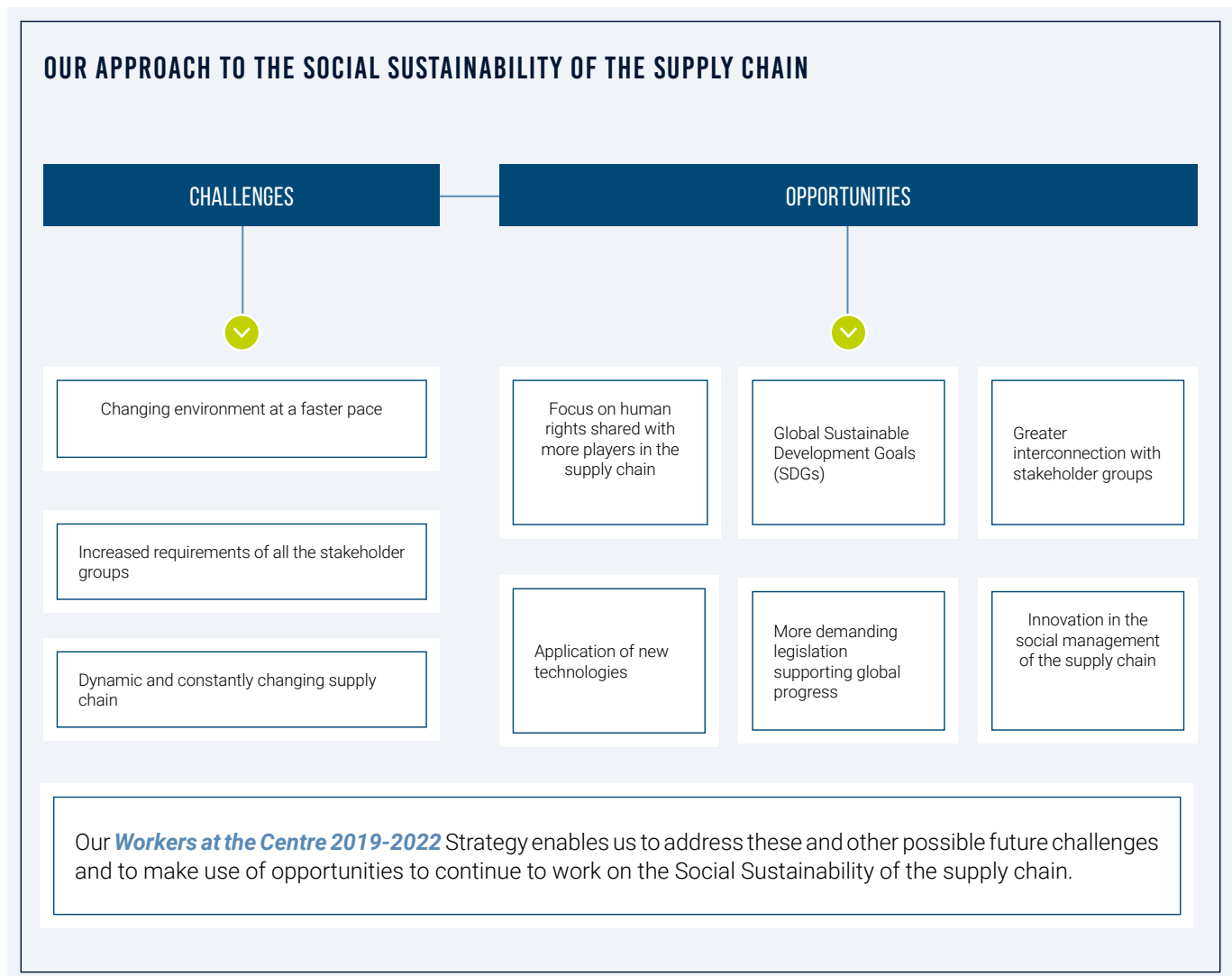
other stakeholder groups; as well as the changing and increasingly demanding environment in the sector.

Based on our approach to supply chain sustainability, the findings from the previous Strategic Plan and the responses to the challenges of a global supply chain, the key drivers of the new social sustainability strategy are as follows:

- The positive impact on the workers.
- The creation of social value in the community and in the industry.

Furthermore, the *Workers at the Centre 2019-2022 Strategy* is supplemented by a compliance approach that serves as a tool to gain further knowledge into the workers and their needs, as well as to manage the various suppliers and factories comprising the supply chain.

 More information about the Inditex supply chain on page 88 of this Annual Report.

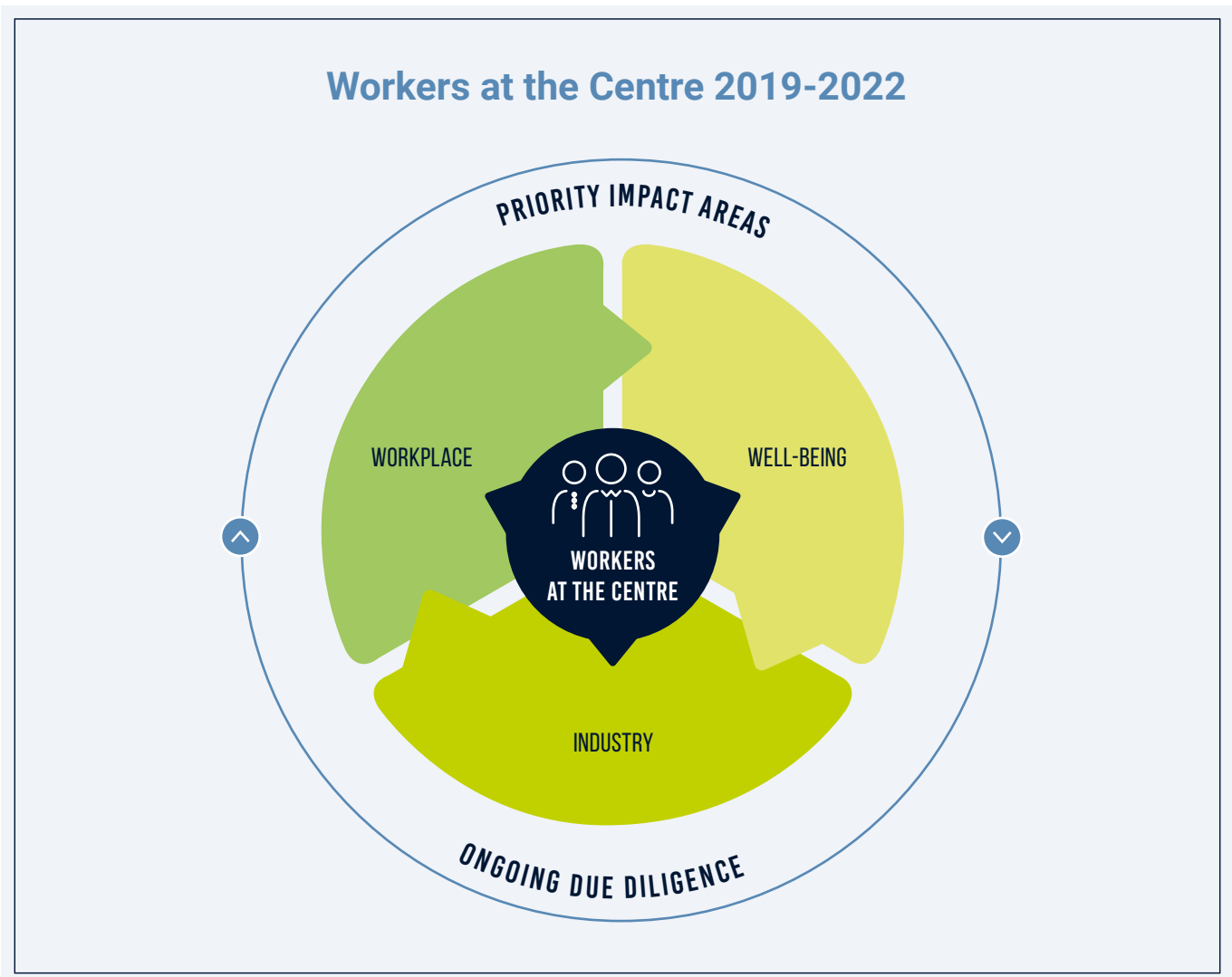




01/ Workers at the Centre 2019-2022 Strategy

The *Workers at the Centre 2019-2022* Strategy is based on the premise of understanding and responding to the needs of workers, their families and the communities in which they live, to foster decent work and sustainable

production environments. The guiding international frameworks regarding human and labour rights have been taken into account when defining the strategy.



2019 KEY INDICATORS

SUPPLIERS AND FACTORIES REACHED THROUGH INITIATIVES, TRAINING AND PROJECTS:	1,597 suppliers and factories
BENEFITED WORKERS:	1,472,719 workers
IMPROVEMENT PROGRAMMES:	45 programmes
SUPPLIERS AND FACTORIES IN WHICH IMPROVEMENT PROGRAMMES HAVE BEEN IMPLEMENTED:	579 suppliers and factories
SUPPLIERS AND FACTORIES TRAINED:	1,018 suppliers and factories

Workers at the Centre 2019-2022

STRATEGY BASED ON:

RESPECT FOR HUMAN AND LABOUR RIGHTS



ALL THOSE INTERNATIONALLY RECOGNISED AND, IN PARTICULAR, THOSE INCLUDED IN:

THE UNITED NATIONS INTERNATIONAL BILL OF HUMAN RIGHTS, WHICH INCLUDES:

- / The Universal Declaration of Human Rights.
- / The International Covenant on Civil and Political Rights.
- / The International Covenant on Economic, Social and Cultural Rights.

CONVENTIONS AND DECLARATIONS OF THE INTERNATIONAL LABOUR ORGANIZATION:

- / Core conventions of the ILO numbers 1, 14, 26, 29, 87, 98, 100, 105, 111, 131, 138, 155 and 18.
- / The ILO Declaration on Fundamental Principles and Rights at Work.

APPLICABLE LOCAL LEGISLATION

ALIGNMENT WITH:



United Nations Guiding Principles on Business and Human Rights.

Sustainable Development Goals.

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector.

The principles of the United Nations Global Compact.



SCOPE OF THE STRATEGY



ALL THE SUPPLIERS AND MANUFACTURERS OF THE SUPPLY CHAIN



DIRECT AND INDIRECT SUPPLIERS



ALL PRODUCTION LEVELS

THREE ELEMENTS



THE WORKER
Main beneficiary and active subject.



THE DIMENSIONS
Workplace, well-being and industry.



DUE DILIGENCE
Seven Priority Impact Areas.

The first element is the **worker**, who is at the centre of the strategy as its beneficiary and active subject. Supplier responsibility and the empowerment of workers are core elements for the successful development of this approach.

The second element comprises the **dimensions** related to the worker: workplace, well-being and industry. Through our actions, we seek to have a positive impact on any of these three areas for the workers. Despite the fact that our suppliers do not exclusively work for Inditex, the positive impact of our activity will also be present in the various dimensions, conducive to the benefit of those that participate in them.

The three dimensions are as follows:


1. **Workplace:** We must ensure that the human and labour rights of workers are upheld through assessment, enhancement, and monitoring in factories and in conjunction with the compliance approach. All factories, regardless of the process they carry out or the level they are at in the chain, must be sustainable workplaces.
2. **Well-being:** We develop more complete and progressive programmes to influence and create change in the lives of workers and in their communities.
3. **Industry:** As one of the sector's leading companies, at Inditex we understand the impact that our sourcing and sustainability activities have. However, this impact is limited due to the large size of the local and international supply chain in which we operate and its context, and it needs to be supplemented and supported by all the industry's stakeholder groups.



This dimension has been added to strategically promote our endeavours, while we partner with different stakeholder groups (government organisations, bodies representing civil society, our suppliers, other brands, etc.) to drive systemic and effective change towards sustainability.

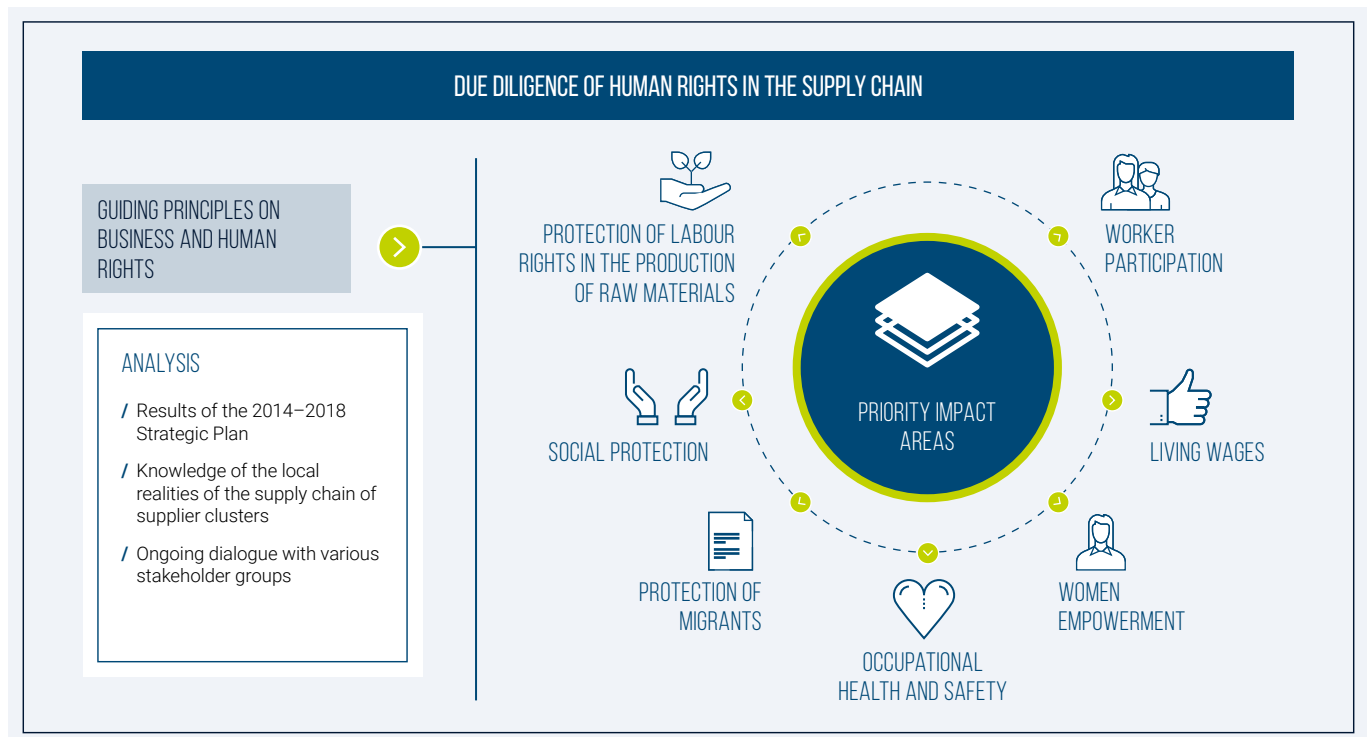
The third element in the strategy is **due diligence** on human rights and the identification of Priority Impact Areas.

In collaboration with SHIFT, the leading centre in terms of the UN Guiding Principles on Business and Human Rights, we have conducted due diligence on all the possible impacts on human rights throughout the supply chain, identifying and prioritising them. The result is materialised in maps that mirror the most relevant impacts on human rights in each of our 12 clusters, which represent 96% of the Group's production. This materialisation has enabled us to identify seven Priority Impact Areas, representing the global priorities upon which the 2019-2022 Strategy is focused.

 More information about Inditex's due diligence processes on page 51 of this Annual Report.

Global and specific goals are set out for each of the seven Priority Impact Areas, different lines of work and activities to achieve them, and indicators to measure their progress.

Each Priority Impact Area has a working group, tasked with implementing the area's individual strategy, comprising local experts from the various Inditex clusters. Thus, the experience of each local team is added together to respond to the industry's global challenges and achieve solutions for the entire supply chain, which are also simultaneously applied locally.



When defining the strategies to be implemented to achieve the various goals, the United Nations 2030 Agenda and the 17 SDGs have been established as benchmarks.

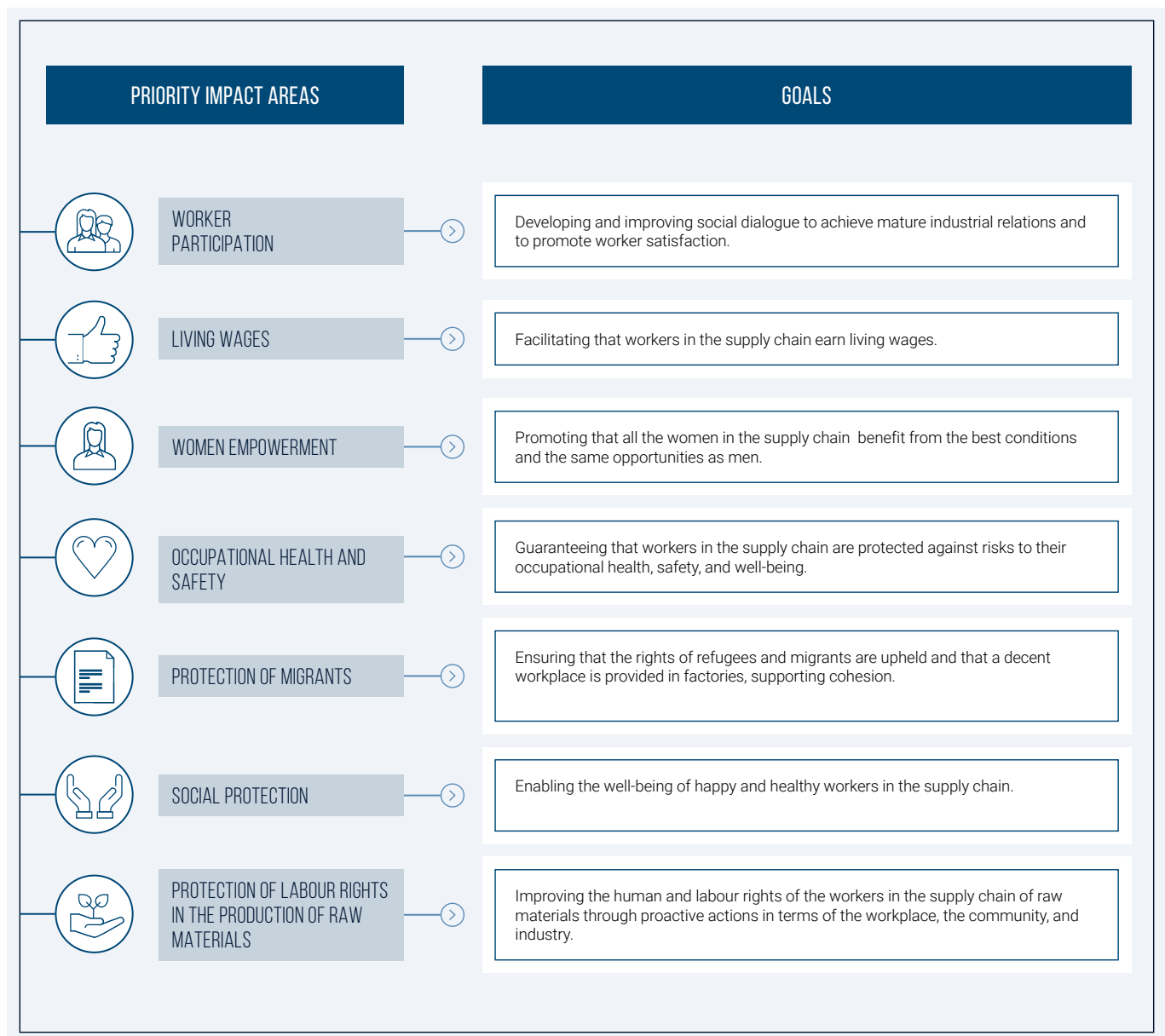
The goal that is contributed with the most relevance throughout the strategy's deployment is SDG 8 (Promoting decent work and economic growth). It is contributed by all the Priority Impact Areas through various actions, ranging from promoting the payment of living wages, to considering initiatives for worker participation, conducted through our Global Framework Agreement with IndustriALL Global Union, in addition to others.

SDG 17 (Partnerships for the goals) is also present in the work of all the Priority Impact Areas as well as, in general, throughout the deployment of the *Workers at the Centre 2019-2022 Strategy*. All the Priority Impact Areas

join forces with local and international organisations and platforms to conduct their activities. In parallel, they uphold ongoing partnerships with relevant players, ranging from the suppliers and manufacturers and their workers, to trade unions and other worker representatives, governments, universities and civil society organisations, in addition to others.

However, each of the actions and programmes are aligned with the SDGs and they make a more direct contribution to achieving various goals, considering the nature of each initiative. The sum of all the actions conducted through the *Workers at the Centre 2019-2022 Strategy* has an impact on the seventeen goals.

During 2019, more than 1.4 million workers have benefited from the strategy's actions and programmes.



02/ Priority Impact Areas

02.01/ Worker Participation

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT
PROJECTS AND PROGRAMMES:

114 factories with **134,667 workers**

SUPPLIERS TRAINED:

76 suppliers and manufacturers with **140,040 workers** trained
in joint initiatives with IndustriALL Global Union

RELATED SDGS



CORE STAKEHOLDERS

IndustriALL Global Union / International Labour Organization /
BetterWork / Ethical Trading Initiative /
ACT (Action, Collaboration, Transformation) / Accord

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

The freedom of association, trade union freedom and the freedom of collective bargaining are fundamental labour rights, as reflected in the various conventions of the International Labour Organization¹. The free and informed exercising of these rights by workers is crucial to enable them to defend the rest of their human and labour rights and dispose of the necessary mechanisms to defend them, among which dialogue and collective bargaining are paramount.

At Inditex we consider freedom of association and the right to collective bargaining to be the core aspects in order to guarantee supply chain sustainability. These principles are laid down in our Code of Conduct for Manufacturers and Suppliers.

Additionally, we acknowledge the important role played by global and national trade unions in monitoring our supply chain. By doing so, our worker participation strategy is founded on championing mature industrial relations, which can benefit workers, manufacturers, and suppliers, and which specifically contribute to SDG 8 (Decent work and economic growth) and SDG 16 (Peace, justice and strong institutions).

The Global Framework Agreement, that we have held with IndustriALL Global Union since 2007 and which we have

renewed and extended in 2019, is one of our most valuable tools for promoting worker participation, collective bargaining, and the respect for freedom of association. In this new phase of the Framework Agreement, a Global Union Committee has been created, to represent the workers in our supply chain. The aim is to share and promote best practices on the freedom of association and collective bargaining rights.

Our lines of action in this Priority Impact Area are:

- Promoting the Global Framework Agreement with IndustriALL Global Union: we partner IndustriALL Global Union in the field to promote the Framework Agreement and the labour rights of workers.
- Guaranteeing effective worker representation mechanisms: we foster programmes to promote these mechanisms in collaboration with organisations such as Better Work and the Ethical Trading Initiative.
- Raising awareness on social dialogue and worker participation: most noteworthy in 2019 are the initiatives conducted in collaboration with IndustriALL in Bangladesh, India, and Morocco, and with the ILO in Myanmar.

(1) The ILO conventions referenced are 87, 98 and 135.

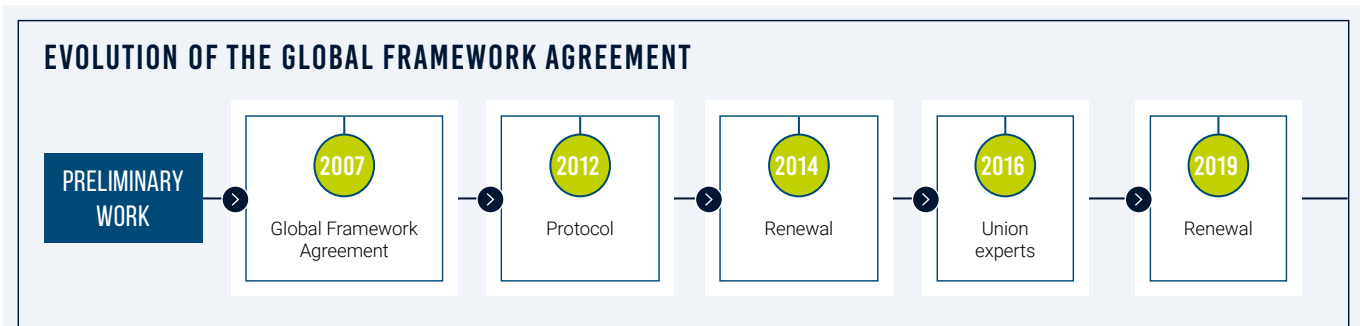
02.01.01/ Promote the Global Framework Agreement with IndustriALL Global Union

Our relationship with IndustriALL Global Union, an international union federation representing more than 50 million worker members of almost 600 unions worldwide, is one of the pillars of our strategy. It is one of our most valuable tools in promoting worker participation, respect for the freedom of association and collective bargaining.

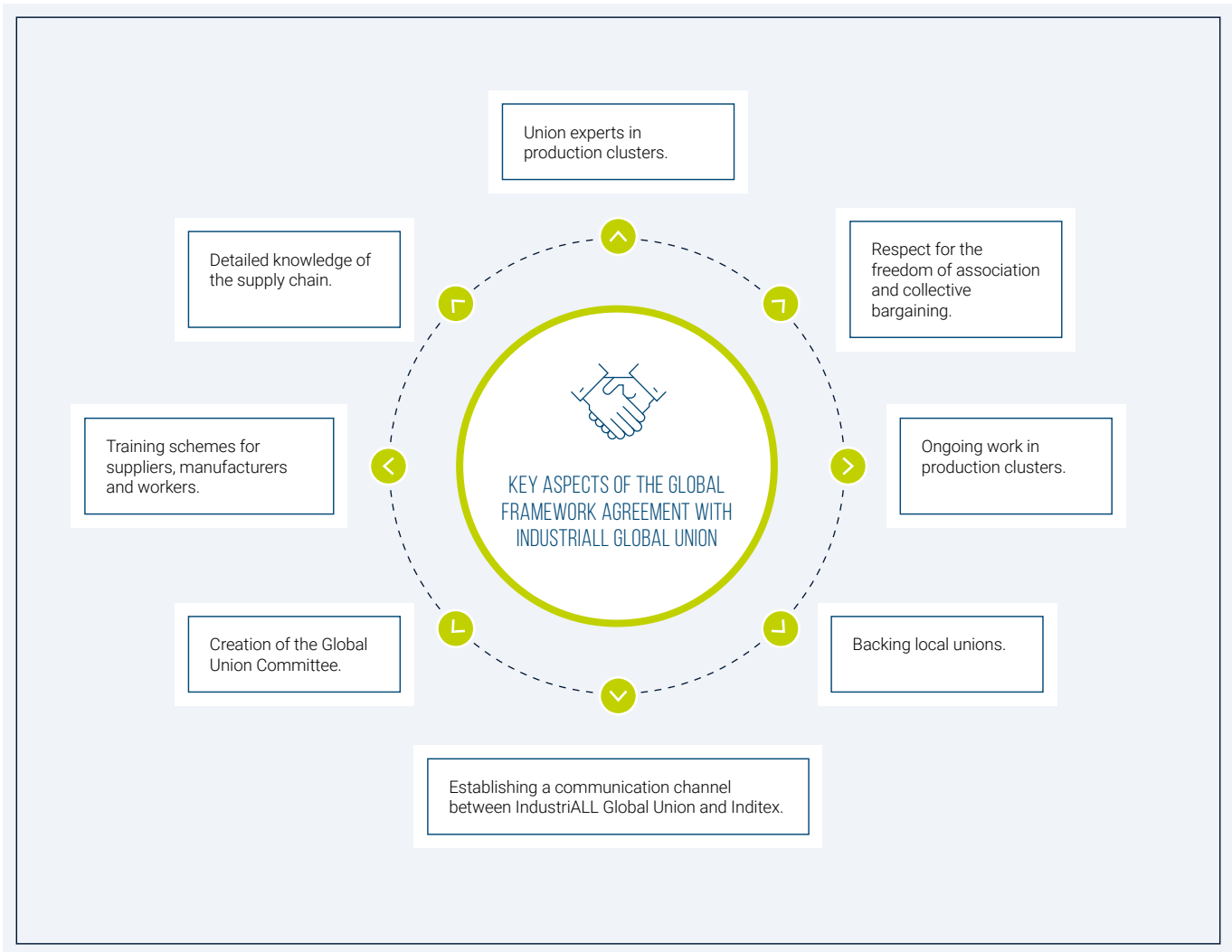
We have had a Global Framework Agreement with IndustriALL Global Union since 2007. It is the first agreement of its kind since it encompasses an entire global supply chain. The agreement, which we renewed in 2019, is

testament to the Group and IndustriALL's commitment to the promotion of labour rights in the textile and footwear industry, as well as compliance with international labour standards and our own Code of Conduct for Manufacturers and Suppliers.



Under the Global Framework Agreement, collaboration on the ground between our own teams and local IndustriALL members plays a fundamental role, making it possible to put programmes and actions into place in factories. Transparency is key to ensuring this collaboration remains fluid and fruitful. We therefore share a comprehensive list of suppliers and factories with IndustriALL, covering all tiers and processes, and showing their level of compliance in sustainability. We also give IndustriALL and all their local members access to all our suppliers and manufacturers' production centres.



In 2019 we renewed our Global Framework Agreement with IndustriALL Global Union, agreeing to set up a Global Union Committee where workers from all our clusters will be represented.



KEY CONTRIBUTION

Renewal of the Global Framework Agreement with IndustriALL Global Union

13 November 2019 saw the renewal of our Global Framework Agreement with IndustriALL Global Union, cementing our commitment to collaborate with IndustriALL on guaranteeing safe and decent working conditions for everyone working in our supply chain.

The creation of a Global Union Committee was agreed in this new phase, where workers from each of the production areas we operate in will be represented. The aim is to share and promote best industry practices with regard to the right to freedom of association and collective bargaining.

Inditex is the world's first fashion distribution company to have this structure in place, which will be composed of union representatives from our main sourcing regions and countries, as well as representatives from Comisiones Obreras and Unión General de los Trabajadores unions in Spain.



Renewal of the Global Framework Agreement with IndustriALL Global Union on 13 November 2019.

02.01.02/ Guaranteeing effective mechanisms for worker representation

By engaging in social dialogue, employers and worker representatives can address any issues relating to the interests of workers. At Inditex we support programmes and activities to promote effective mechanisms for worker representation at both an individual manufacturer and sector level; always with the highest level of respect for the right to the freedom of association and collective bargaining.

A sector level highlight is the development of the Guide to Freedom of Association, agreed between IWFM – an IndustriALL member in Myanmar – and manufacturer and supplier representatives of brands belonging to the ACT (Action, Collaboration, Transformation) initiative.

 More information on page 111 of this Annual Report.

At a factory level, in addition to the effective implementation of the Global Framework Agreement, we are collaborating on other initiatives supporting the promotion of industrial relations at work centres throughout our production chain.

PROGRAMMES TO PROMOTE SOCIAL DIALOGUE



The Better Work programme, set up in 2007 by the International Labour Organization, aims to improve working conditions and promote competitiveness in global textile industry supply chains. Inditex has participated in the programme since October 2007, becoming a direct buyer partner in 2013.

In terms of industrial relations, Better Work has a focus on promoting freely elected workers' representatives on national committees. Involvement in the process extends to unions and the proportional representation of women is guaranteed. Bilateral committees comprised of worker and company management representatives ensure the preliminary conditions are met to enable social dialogue at work centres.



We participate in the Social Dialogue Program from the Ethical Trading Initiative, which aims to strengthen the structures in place for the representation of workers and employers in factories. To this end we have trained and educated members of the Worker Participation Committees to improve their skills in engaging in social dialogue.



CAMBODIA

81 factories from our supply chain.
Number of workers covered: 72,116.

VIETNAM

20 factories from our supply chain.
Number of workers covered: 37,715.

INDONESIA

7 factories from our supply chain.
Number of workers covered: 14,144.

BANGLADESH

1 factory from our supply chain.
Number of workers covered: 234.

BANGLADESH

3 factories from our supply chain.
Number of workers covered: 7,825.

102-41, 103-2, 407-1, 413-1

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02.01.03/ Raising awareness of social dialogue and worker participation

We involve workers, their representatives, and factory and supplier management in activities to strengthen their skills in social dialogue. 2019 highlights include working together with IndustriALL on activities in Bangladesh, India and Morocco; and with the ILO in Myanmar.

BANGLADESH	INDIA	MOROCCO	MYANMAR
<p>Activity: Workshop on the Global Framework Agreement and the importance of social dialogue.</p> <p>Objective: Strengthening social dialogue between suppliers, manufacturers and representatives of IndustriALL Global Union members in the country.</p> <p>Impact: 21 suppliers and factories, and representatives of local IndustriALL Global Union members.</p> <p>Number of workers covered: 68,462.</p>	<p>Activity: Two workshops on the Global Framework Agreement and the importance of social dialogue; one in Delhi and another in Bangladesh.</p> <p>Objective: Promoting a dialogue on how the Global Framework Agreement can facilitate the engagement of social agents. Production, human resources and sustainability managers from suppliers and factories were encouraged to attend, together with local IndustriALL members.</p> <p>Impact: 38 suppliers and manufacturers, together with representatives of IndustriALL Global Union members in the country.</p> <p>Number of workers covered: 60,603.</p>	<p>Activity: Training on the Global Framework Agreement and the importance of social dialogue for suppliers, manufacturers and local IndustriALL members from Morocco, Egypt and Tunisia.</p> <p>Objective: Raising awareness of industrial relations.</p> <p>Impact: 17 suppliers and manufacturers, together with representatives of IndustriALL Global Union members in the country, Egypt and Tunisia.</p> <p>Number of workers covered: 10,975.</p>	<p>Activity: Collaboration with the ILO – GIP (Garment Industry Project).</p> <p>Objective: Strengthen the Workplace Coordinating Committees through collaboration between employer and worker representatives. Training activities address issues such as: workplace cooperation, bilateral social dialogue, productivity, health and safety in the workplace and empowerment.</p> <p>Impact: 2 factories from our supply chain.</p> <p>Number of workers covered: 2,633.</p>



02.02/ Living wages

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:

37 factories with **21,488 workers**

SUPPLIERS TRAINED:

22 suppliers trained in the **Lean Project** and **12 suppliers** took part in ACT meetings in Myanmar (**19,210 workers**)

BUYERS TRAINED IN RESPONSIBLE PURCHASING PRACTICES:

220 buyers at the Inditex headquarters and **75 buyers** in the local commercial teams

RELATED SDGS



CORE STAKEHOLDERS

IndustriALL Global Union / International Labour Organization / Better Than Cash Alliance / ACT (Action, Collaboration, Transformation) / Universidade do Minho

FACILITATING THAT WORKERS IN THE SUPPLY CHAIN EARN LIVING WAGES.



WHAT IS A LIVING WAGE?

Pursuant to the ACT definition to which Inditex adheres:

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

INDITEX LIVING WAGE STRATEGY



APPLIED THROUGHOUT THE INDITEX SUPPLY CHAIN



COLLABORATION WITH THE INDUSTRY



INDITEX EXPERT WORKING GROUP (Bangladesh, Turkey, China, Cambodia, India, Spain).



FOCUS ON ONGOING IMPROVEMENT

GOAL

- / Promoting and facilitating collective bargaining.
- / Effectively implementing responsible purchasing practices.
- / Enhancing the production organisation systems and methods.
- / Improving management systems and wage digitisation.

Everybody has the right to receive a living wage as compensation for their work. This is considered by the ILO as one of the essential human rights to achieve “universal and lasting peace”.

At Inditex we are committed to enabling the workers of the factories in our supply chain to receive a living wage. This commitment is based on our Code of Conduct for Manufacturers and Suppliers, which stipulates that all workers in the supply chain must receive sufficient wages to cover their basic needs and other additional needs of their families.

On this basis, and based on the work carried out thus far to promote living wages, in 2019, we redefined our strategy, crafted according to four specific goals chiefly linked to SDGs 8, 9, 10 and 17.

In social audits we verify how much the workers are paid and whether the amount can be deemed a living wage, analysing the various wage components, the times and the payment system used, and the wage management systems available to the factory. This information enables us to identify the main fields of action that must be impacted by the living wage strategy.

To develop our strategy we work with other brands and various stakeholder groups in the textile sector. We consider obtaining living wages to be a common challenge for the whole industry and one which requires the collaboration of all the parties to achieve it, ranging from suppliers and manufacturers, to the countries’ governments. Along these lines, our collaboration in the ACT (Action, Collaboration,

Transformation) initiative is one of the keys to our living wage strategy.

Furthermore, in 2019, we have promoted supplementary approaches such as the digitisation of wages, and the financial education of workers.


Our lines of action in this Priority Impact Area are:

- Promoting and facilitating collective bargaining: we believe that the most sustainable way of achieving living wages in the industry is through collective bargaining. Through the ACT initiative, and within the framework of our Agreement with IndustriALL Global Union, we work to foster the creation of spaces for dialogue that encourage the reaching of agreements in the textile industry regarding wages.
- Effectively implementing responsible purchasing practices: Through the ACT initiative we partner with other brands in the sector for the joint development of responsible purchasing practices. We train our buyers and the suppliers to apply these practices.
- Enhancing the production organisation systems and methods: aware of the impact these systems have on the working conditions of employees, we chiefly support suppliers in their improvement through our Lean Project and the ILO SCORE programme.
- Improving management systems and wage digitisation: as members of the Better Than Cash Alliance, we work towards the digitalisation of payments in the supply chain. In 2019, Bangladesh was the focal point of our actions.



02.02.01/ Promoting collective bargaining

At Inditex we believe the most sustainable way of securing living wages in the industry is through collective bargaining. This is why we work on enabling factories and suppliers to develop mature industrial relations so they can reach agreements in this area. Our work with IndustriALL Global Union under our Global Framework Agreement is one of the tools we use. These activities include educating workers on their rights, supporting them in electing representatives, and encouraging collective bargaining with initiatives for workers, employers and unions.

 More information on page 105 of this Annual Report.

INDITEX SUPPLY CHAIN FACTORIES COVERED BY COLLECTIVE AGREEMENT IN 2019	
GEOGRAPHICAL AREA	NUMBER
Africa	36
Americas	55
Asia	75
Europe (non-EU)	26
European Union	2,107

Through the ACT (Action, Collaboration, Transformation) initiative, promoted by international brands and IndustriALL Global Union, we are working on promoting platforms for dialogue that can be used for putting garment industry agreements in place to secure decent wages and working

conditions, bolstered by responsible purchasing practices. In 2019 various schemes were implemented under the ACT framework, with those in Myanmar, Turkey, Bangladesh and Cambodia being particular highlights.

Four meetings were held in Myanmar, with the participation of 12 manufacturers (16,020 workers) from the Inditex supply chain in the country. A major milestone achieved through the work of the ACT in Myanmar in 2019 was the development of the *Guide to Freedom of Association*.

In Turkey progress was made on the alignment of local and global ACT initiatives, as well as a joint approach to increasing supplier participation and raising awareness of ACT principles.

Similarly, in 2019 ACT made initial inroads in Bangladesh to lay the foundations for a dialogue between the initiative and employer federations.

Again, under the ACT framework, we implemented campaigns to raise awareness of the freedom of association and the promotion of collective bargaining in Cambodia. We sent various communications on the ACT initiative to the 16 main suppliers operating in the country to encourage their support of the initiative. Meanwhile, ACT sent a letter to the Cambodian manufacturers' association GMAC to seek negotiations with the country's unions with the aim of setting up collective agreements and advocating respect for the freedom of association and collective bargaining. Inditex also sent this same letter to nine of the country's suppliers and factories belonging to GMAC.



Guide to Freedom of Association in Myanmar

The aim of this guide is to support the development of constructive industrial relations between employers and workers, ensuring the principles of the freedom of association are applied under the framework of international labour standards. The guide covers practical ways harmonious industrial relations can be established, for example meetings between management and union representatives and conflict resolution procedures.

The guide was agreed by representatives of suppliers and manufacturers working for brands belonging to ACT in the country, and the Industrial Workers Federation in Myanmar (IWM), a local IndustriALL Global Union member. The International Labour Organization also provided technical guidance on drafting the guide to ensure content is aligned with international labour standards.

The guide represents a milestone in industrial relations in Myanmar, and is one of the textile industry's benchmark agreements. It can also be used for reference by our suppliers and manufacturers in the country for freedom of association and collective bargaining matters, along with local and international legislation, our Code of Conduct for Manufacturers and Suppliers, and our Global Framework Agreement with IndustriALL.

KEY CONTRIBUTION



8 DECENT WORK AND ECONOMIC GROWTH





16 PEACE, JUSTICE AND STRONG INSTITUTIONS





02.02.02/ Responsible purchasing practices

Responsible purchasing practices encourage decent working conditions, in particular decent wages. After all, purchasing planning, lead times, pricing criteria and our strategy on commercial relationships with suppliers are all key to this strategy.

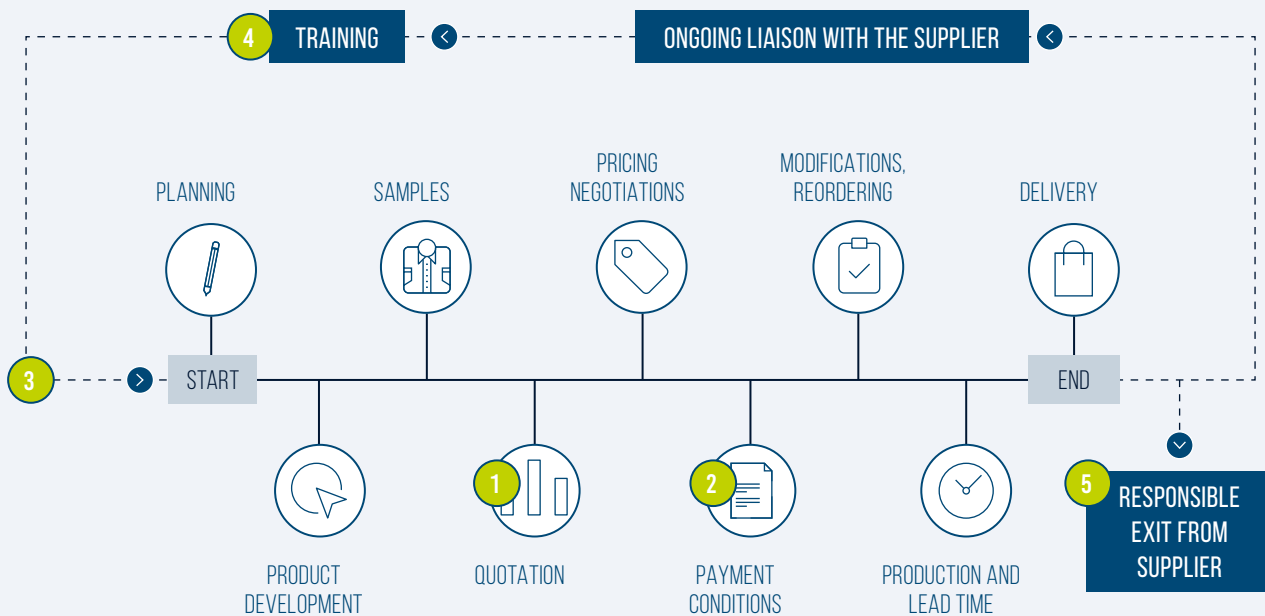
We are working with ACT on the joint development of responsible purchasing practices. As a member of this initiative, Inditex signed a Memorandum of Understanding with IndustriALL in 2015, endorsing our commitment to purchasing practices conducive to paying living wages.

In 2019 we trained more than 200 purchasers on responsible purchasing practices. Specifically, they received guidance on the commitments put in place by ACT and how these can be implemented in the Company.

Our work on responsible purchasing practices extends not only to purchasers, but to suppliers too. Over the course of 2019 we maintained an ongoing dialogue between suppliers and purchasers, which has been key to implementing new parameters to measure purchasing practices in line with the Accountability and Monitoring Framework agreed by ACT brands in September 2019. This framework represents a step forward in due diligence in purchasing practices, allowing the assessment and monitoring of compliance with the principles outlined in the MoU signed with IndustriALL.



PURCHASING AND PRODUCTION CYCLE




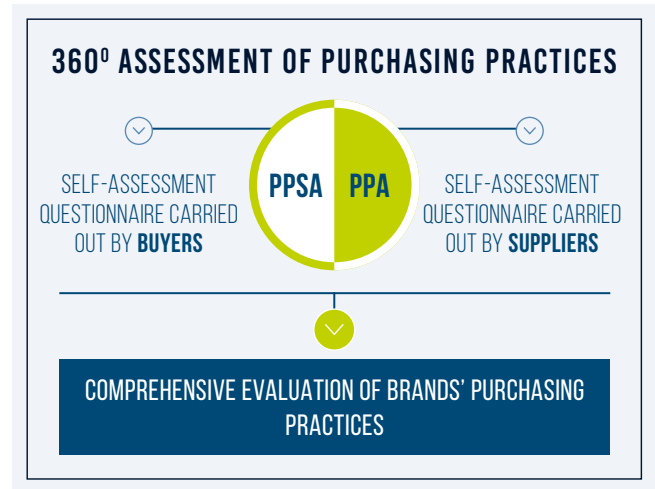
COMMITMENTS IN PURCHASING PRACTICES

- 1. Purchasing prices include wages as an itemised cost:** Include and respect the wage component of a product in negotiations.
- 2. Fair terms of payment:** Supplier payments made according to conditions previously agreed between the parties.
- 3. Better planning and forecasting:** Transparent communications with suppliers on the purchasing process.
- 4. Undertake training on responsible sourcing and buying:** Provide training on best purchasing practices.
- 5. Responsible exit strategies:** When a decision is made to stop working with a manufacturer for whatever reason, it must be done responsibly in a way that minimises the decision's impact on the manufacturer's operations.

Likewise, in 2019, 45 suppliers from the Inditex supply chain in Turkey assessed purchasing practices by completing a questionnaire (PPA).

We also worked individually with buyers from all our brands, primarily through ongoing training. As well as training 220 buyers in responsible purchasing practices as mentioned previously, our cluster teams trained a total of 75 buyers from various local teams over the course of the financial year.

 More information on page 94 of this Annual Report.

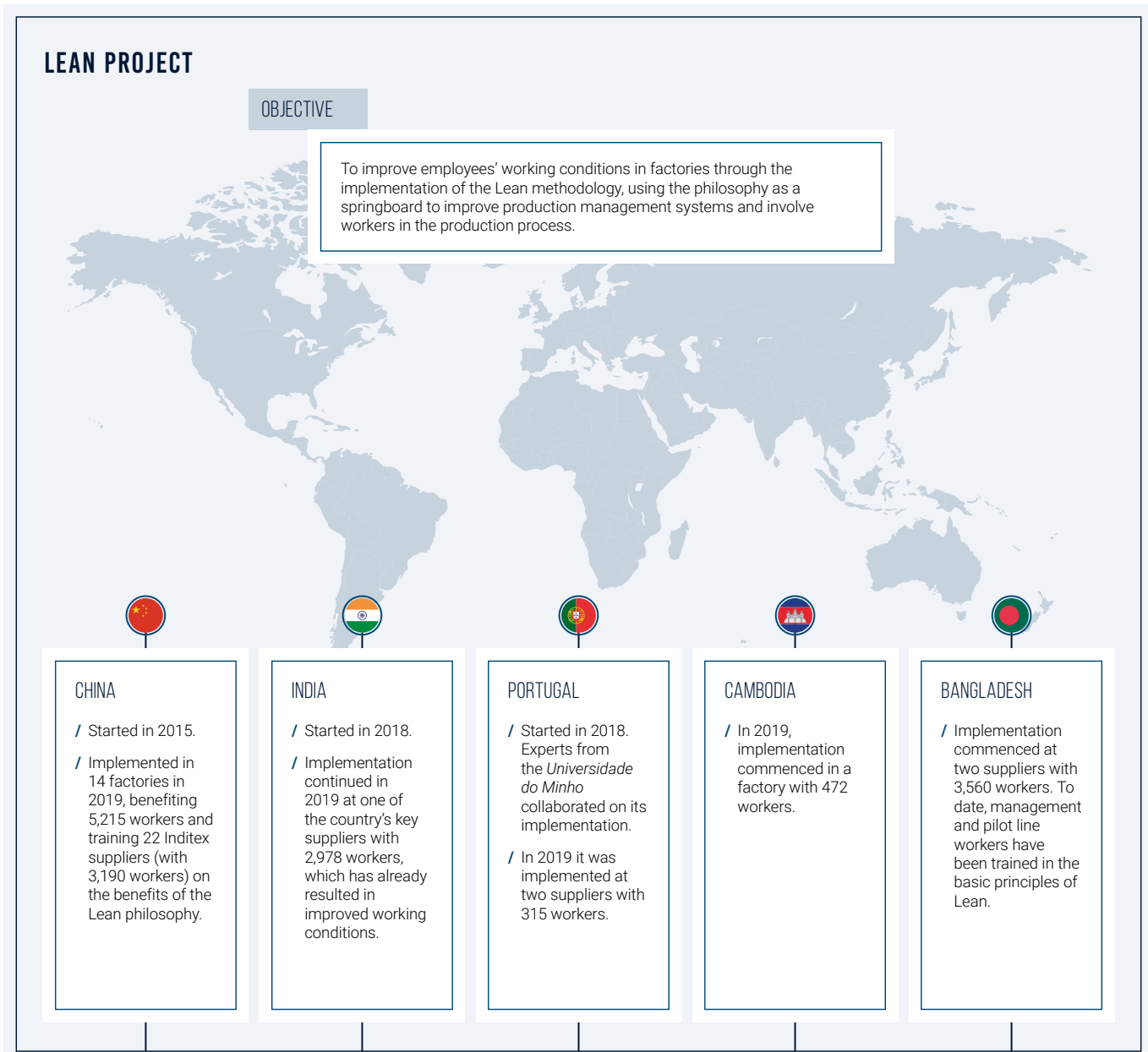


02.02.03/ Enhancing the production organisation systems and methods

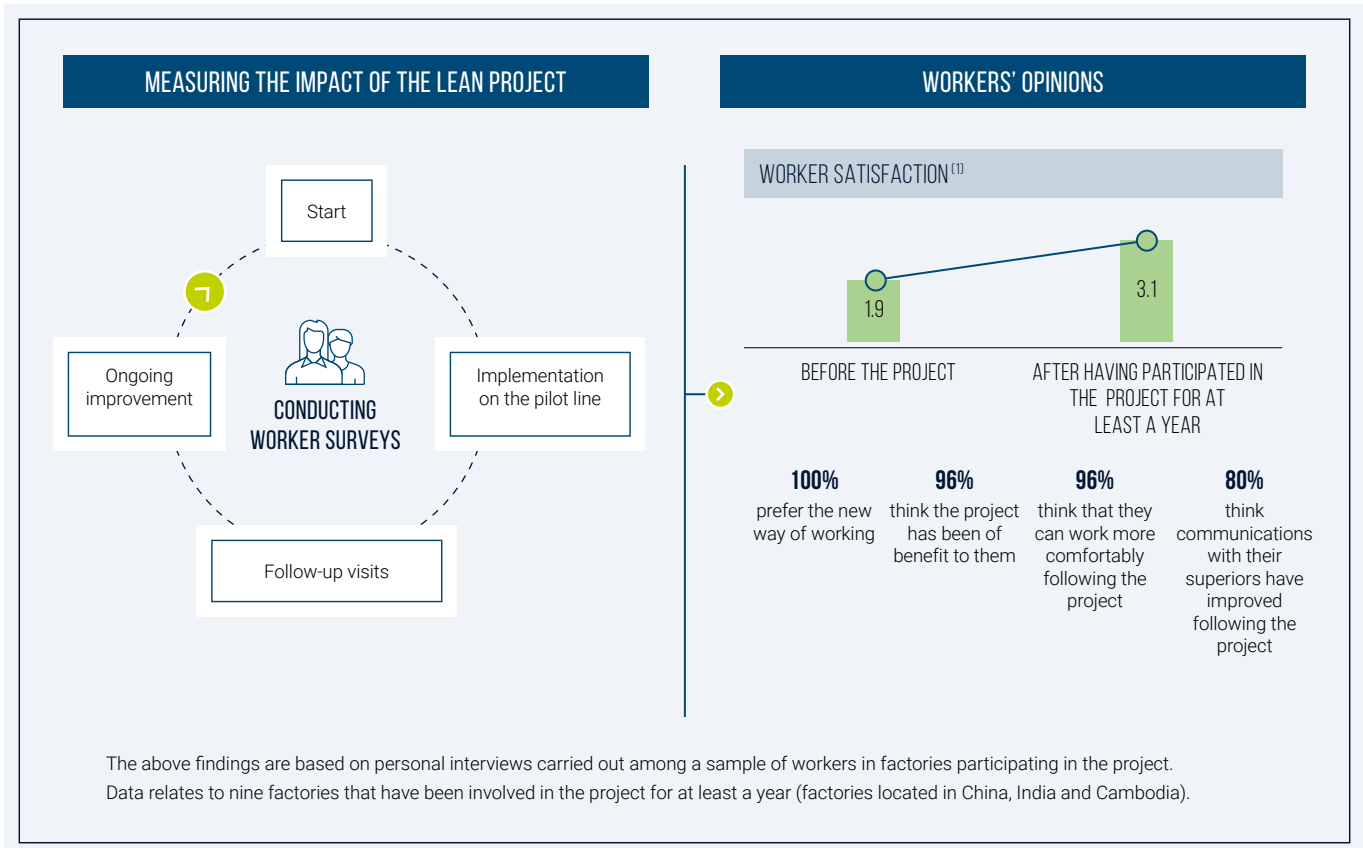
Methods and systems for managing factory production have a direct impact on working conditions. How production is organised has a bearing on issues such as health and safety, working hours, wages and levels of work satisfaction.

We tackle these improvements through two programmes at Inditex: the Lean Project (an internal Inditex project) and the ILO's SCORE Programme, with a twofold objective:

- To improve working conditions and worker satisfaction.
- To optimise factory production systems and support management with the ongoing improvement of their performance and competitiveness.



By supporting the improvement of our suppliers and manufacturers' production management systems, we are making a contribution to improving working conditions and worker satisfaction.



(1) Workers' satisfaction is scored from 1 to 4.




SCORE Programme (ILO)

The SCORE (Sustaining Competitive and Responsible Enterprises) Programme, developed by the International Labour Organization, is split into five modules that focus on improving SMEs' management systems in order to improve working conditions and promote fundamental labour rights. At Inditex we have participated in the programme since 2014 in several of the countries in our supply chain, supporting our providers and the ILO teams who implement it.


As well as these two main programmes, we also carry out activities at a local level in collaboration with specialist organisations. In Argentina for example, our local team is collaborating on a project with the National Institute of Industrial Technology (INTI). In 2019 two suppliers took part, to the benefit of 262 workers. The teams at the INTI and Inditex supported suppliers in improving their production management systems, which had a positive impact on employees' working conditions.


SCORE PROGRAMME (ILO)




OBJECTIVE

To improve productivity in SMEs through actions addressing: workplace cooperation, quality management, cleaner production, human resources management and health and safety management at work.







CHINA

- / In 2019 implementation of the programme continued in two factories with 952 workers.
- / As well as the ILO, the Ethical Trading Initiative also collaborated on the programme.
- / Our social sustainability teams take part in regional SCORE meetings, where participating factories share best practices and learning outcomes.

TURKEY

- / Eight Turkish factories have implemented the programme in 2019, to the benefit of 912 workers.
- / Four of these factories have already implemented all five modules.
- / In Turkey the programme has a particular focus on protecting refugees' human and labour rights.

PAKISTAN

- / The ILO launched the programme at the end of 2018.
- / In 2019 two Inditex suppliers (5,780 workers) took part in it. One of them has already completed implementation and the second started the process at the end of 2019.

The ILO SCORE programme seeks to improve SMEs' management systems in order to improve working conditions and promote fundamental labour rights.

02.02.04/ Improving management systems and wage digitisation

The main working areas in this field are:

- Analysing and improving wage and working hours management systems.
- Wage digitisation and financial empowerment.

These two working areas, in the same way as previous activities, contribute not only to workers receiving a living wage, but to them receiving it on time and in a way most beneficial to them, promoting financial inclusion and education.

In this vein, we are educating our suppliers on how digitised wage payments facilitate the empowerment and financial inclusion of workers. At the same time it is more efficient, entails less risk, and promotes the transparency of transactions: all of which bolsters the development of our strategy for living wages.

We also see wage digitisation and financial empowerment as being closely tied with women’s empowerment, as it facilitates their inclusion in the household economy and financial decision-making. In this sense, our wage digitisation strategy goes hand-in-hand with our women’s empowerment strategy in countries such as Bangladesh and India.

 More information on page 122 of this Annual Report.

WORKING AREA	COUNTRY	OBJECTIVE	DESCRIPTION	COLLABORATION	INDICATORS
ANALYSIS AND IMPROVEMENT OF WAGE AND WORKING HOURS MANAGEMENT SYSTEMS	China	Complement audit methodology with an in-depth evaluation of the factory’s management systems in order to detect any potential areas for improvement.	Thoroughly analysing wage and working hours management systems. The project began in 2018, and following an initial observation and evaluation phase a plan of action was developed and implemented in 2019, focusing on solving the root causes of inefficiencies detected in the initial phase.	Internal programme.	A factory with 300 workers.
WAGE DIGITALISATION AND FINANCIAL EMPOWERMENT	Global	Promote wage digitisation as a method of remuneration throughout the supply chain and promoting the transition to a digital economy worldwide.	Membership of the Better Than Cash Alliance in 2018, a partnership between governments, companies and international organisations.	Better Than Cash Alliance.	Event to raise awareness in Bangladesh and cooperate with other stakeholders in the country.
	Vietnam	Develop and implement digital solutions to the benefit of both companies and workers.	Analysing the Vietnam context to examine payment digitalisation, including interviews with employees.	International Labour Organization. Women’s World Banking.	Two factories with 742 workers took part in the study.



Wage digitisation in Bangladesh

An event was held in Dhaka (Bangladesh) on 20 November 2019 to publicise the benefits of wage digitisation and its promotion in the Bengali textile industry.

The event was organised by Access to Information (a2i) (a programme from the Bangladeshi government’s TIC division), the United Nations Development Programme, Better Than Cash Alliance, BSR, and the Bangladesh Garments Manufacturers and Exporters Association (BGMEA). Inditex and other brands with supply chains in the country also took part and supported the event, collaborating on its design and inviting our suppliers to attend.


Various speakers shared their experiences and learnings at the event, from government members (such as the Minister of Industry) to suppliers that have already digitalised their wages. Two female workers from one of the factories where Inditex implemented the BSR’s HERfinance Digital Wages programme shared their experiences, explaining how receiving their wages digitally (by mobile banking in this case) had benefited and empowered them.

A document on the principles of supporting digitisation, produced by Inditex and other brands in collaboration with BTCA, BSR and the Bill and Melinda Gates Foundation was shared at the event. The document encourages more brands to support wage digitisation and encourages suppliers to roll it out in their companies.

KEY CONTRIBUTION



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



02.03/ Women Empowerment

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:

46 factories with **45,579 workers**

SUPPLIERS TRAINED:

140 suppliers and manufacturers with **126,326 workers** trained in subjects related to women empowerment.

RELATED SDGS



CORE STAKEHOLDERS

International Labour Organization / BSR / Swasti / Medicus Mundi

PROMOTING THAT ALL THE WOMEN IN THE SUPPLY CHAIN BENEFIT FROM THE BEST CONDITIONS AND THE SAME OPPORTUNITIES AS MEN.



Women represent the majority of the workforce in the textile sector supply chains and they face various challenges at work compared to their male counterparts.

Gender equality is a prerequisite to any sustainable development goal, since it holds the potential to reverse inequality in relations of power between women and men and it addresses the structural barriers that prevent progress.



Our women empowerment strategy in the supply chain is based in three pillars: health, protection and empowerment.

Of the 17 SDGs, only one, SDG 5 (Achieve gender equality and empower all women and girls) is focused on a specific collective and applied in a cross-cutting way to the other goals.

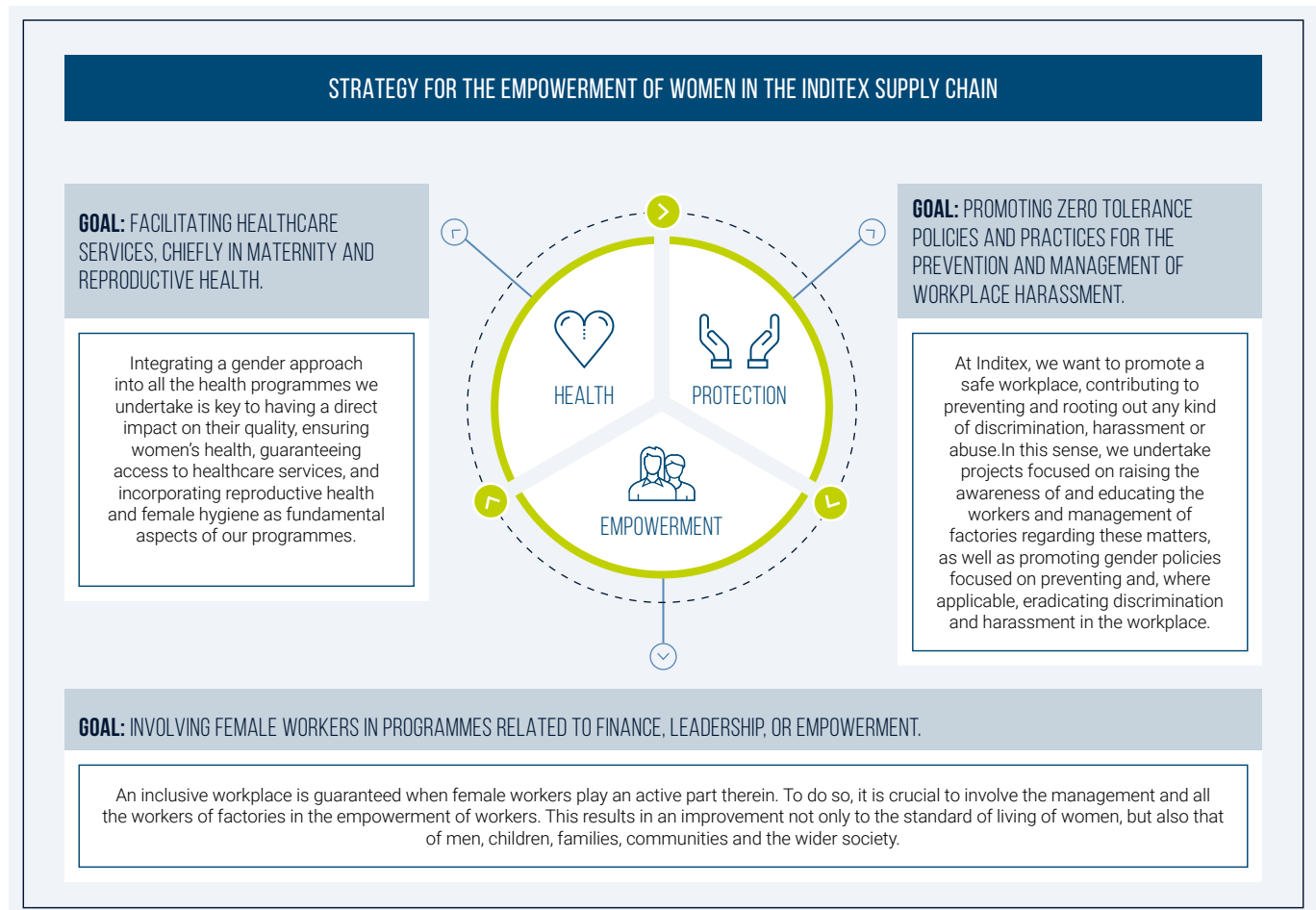
We are fully committed to this goal. Women represent more than half of the workforce in our supply chain. Therefore, to achieve a stable and sustainable supply chain, we promote gender equality and we champion practices that encourage the inclusion of women and their development. All empowered women have the potential to transform their family, community, economy and society.

At Inditex, we have a strategy for the empowerment of women in the supply chain, which was approved in 2017

and renewed within the framework of the new *Workers at the Centre 2019-2022 Strategy*. Through this strategy, we seek to encourage the men and women working in our supply chain to enjoy the same rights and opportunities.

This strategy is focused on three core goals:

- 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.



02.03.01/ Health: Facilitating health care

According to the World Health Organisation, 1,600 women and more than 10,000 newborns die each day due to preventable complications in pregnancy and childbirth.

At Inditex we advocate improved access to health care for women, as well as family planning and maternal health. By maintaining an active presence across our supply chain, we have successfully brought these measures to a large number of women who would otherwise have had difficulties accessing products and services.

In June 2019, at an event organised by Women Deliver – a global organisation that champions the rights of women and girls – ten companies including Inditex and the United Nations Foundation announced our commitment to improve the health and empowerment of female workers across our supply chains. More specifically, Inditex committed to reaching a target of 70,000 female workers being covered by healthcare services, chiefly maternity and reproductive health services, by 2022.

The main projects related to women's health care in 2019 were the following:



Sakhi Health programme in India

In 2019 we launched a new version of our Sakhi Health programme in India in 18 factories (with 26,907 workers), which we developed in collaboration with St. Johns Medical Academy of Health Services. The new programme maintains the goal of creating best practices in health, hygiene, nutrition, menstruation and reproductive health of female workers; at the same time as tackling issues such as health counselling in factory canteens, nurseries and clinics, and providing specialist training for pregnant women and fathers of children under five.

Programme to improve health and social care in the textile industry with Medicus Mundi Sur in Morocco

Our collaboration with Medicus Mundi Sur (MMSur) in Morocco began in 2014, when we implemented a programme to improve the social and health situation of textile workers in the country. Since then we have strengthened our collaboration, bolstering the programme further and tackling new issues, always with the cooperation of public bodies in Morocco. In 2019, 15 factories and suppliers took part in the programme, reaching a total of 4,489 workers.

In addition we have developed a medical campaign for workplace disease prevention every year under this same programme, enabling us to identify conditions such as diabetes, high cholesterol and anaemia among others. All companies were given a satisfaction survey to evaluate and assess the recommendations and requirements of companies and workers after medical campaigns.



02.03.02/ Protection: zero tolerance to workplace harassment

Our Code of Conduct for Manufacturers and Suppliers includes the prohibition of discrimination (including for gender-based reasons) and the prohibition of abuse or inhumane treatment. To ensure compliance with the Code, if any potential non-conformity with these points is detected, our auditors will raise a gender alarm and the issue will be dealt with on a case-by-case basis.


As a complement to this work, we have put various programmes into place at Inditex to promote best practices and encourage suppliers to develop their own policies on zero tolerance to workplace harassment. We have also joined forces with other relevant industry stakeholders to achieve these aims. In this vein, the Foro de la Moda (a fashion industry forum which Inditex is a member of, together with organisations in the third sector) and members of IndustriALL Global Union in Spain – UGT and CCOO – sent the ILO a letter of support for the adoption of Convention 190 on the elimination of workplace violence and harassment. The convention was finally approved by the ILO in June 2019.

WORKING AREA	COUNTRY	OBJECTIVE	DESCRIPTION	COLLABORATION	INDICATORS
A FOCUS ON GENDER IN HUMAN RESOURCES MANAGEMENT	Turkey	Analyse Human Resources management systems in our suppliers' factories in the country with a gender-based approach to detect any potential areas for improvement.	Project stages: - Initial evaluation In-situ analysis and documentation research. - Recommendations for improvement by management area. - Measuring the impact through follow-up factory visits. - Training with an NGO for workers and management.	Internal programme.	Three factories with 1,075 workers.
SOWBHAGYAM PROJECT	India	Prevent the practice of Sumangali, an abusive employment practice that primarily affects young female workers.	In place since 2013. The project is currently focusing on improving interaction with recruitment agents and preparing a tool kit on commitment to the community, including how the project itself works so that it can be replicated.	Save.	Training 71 local organisations.
SAKHI WORKER WELLBEING	India	Support and train workers and implement systems to encourage a climate of equality.	The main focus for the year was providing technical support to participating suppliers to enable them to implement it themselves.	Swasti.	Eight factories with 14,880 workers.
TRAINING IN PREVENTING SEXUAL HARASSMENT IN THE WORKPLACE	India	Raise awareness among workers of sexual harassment and promote prevention in the country.	Interactive sessions on various themes, from what constitutes sexual harassment to the various mechanisms that can be used to confront it, such as laws against such acts in India.	Internal programme.	42 suppliers with 107,508 workers.
PROTECTION PROJECT WITH MEDICUS MUNDI SUR	Morocco	Raise awareness among female and male workers on gender-based violence, sexual harassment, and the procedures to follow should any issues arise.	Training and support on the prevention of harassment and violence for those potentially affected.	Medicus Mundi Sur and the Union of Feminist Action.	1,118 workers.



02.03.03/ Empowerment: involving female workers in financial, leadership and empowerment programmes

The ultimate aim of all the actions in our women’s empowerment strategy is to provide tools to enable them to actively participate in work, family and social life, thereby improving the quality of life of families, communities and society at large, and contributing to the construction of robust and fair economies.

WORKING AREA	COUNTRY	OBJECTIVE	DESCRIPTION	COLLABORATION	INDICATORS
FINANCIAL EMPOWERMENT PROGRAMMES	India and Bangladesh	Promote the financial empowerment of female workers as a tool to combat gender inequality and discrimination.	Participation in the HERfinance and HERfinance Digital Wages programmes working towards the sound transition from wages being paid in cash to digital payments, and financial education, as tools for inclusion and empowerment. <i>These activities are all in line with our wage digitisation strategy in the previous section.</i>  More information on page 117 of this Annual Report.	BSR	<i>Two factories in Bangladesh (with 4,319 workers) have implemented HERfinance Digital Wages. Two factories in India (with 4,691 workers) have started HERfinance implementation.</i>
MIG SCORE	Turkey	Participation in the ILO MIG SCORE programme in Turkey, which aims to promote gender equality, with SMEs and organisations from the social and solidarity economy.	In 2019 the project came to an end with the last two steps being completed, including ILO consultancy and improvement programmes. A closing meeting was conducted to share learning outcomes and best practices. Local purchasing teams from Inditex attended the meeting.	ILO	Four factories (769 workers).
TOGETHER STRONG	Turkey	Raise awareness among female and male workers on gender equality.	Pilot project commenced in 2019. Training given in collaboration with AÇEV, an expert organisation.	AÇEV	One factory (91 workers).
EDUCATION AND AWARENESS	Turkey	Raise awareness on human rights, improving knowledge on gender equality and maintaining a workplace free of violence and discrimination.	Face-to-face training and information sharing to raise awareness on gender quality.	<i>Women for Women's Human Rights - New Ways (WWHR)</i>	79 factories and 19 suppliers (18,818 workers).



KEY CONTRIBUTION




inditeXher + BSR | HERproject
Support | Empowerment | Protection



In 2019 we devised a pilot programme in collaboration with the organisation BSR, for both our social sustainability teams and buying teams to take part in. The project, which we have named InditeXher, aims to develop women’s empowerment programmes in factories and assess the impact they have on purchasing projects and vice-versa. The project includes the following activities among others:

- Development of health projects (HERhealth).
- Development of financial empowerment projects (HERfinance).
- Specialist gender training for commercial teams, sustainability teams, suppliers and factories involved in the project.
- Creating a special tool to assess the impact of the strategy on purchasing practices.

Through this project we hope to improve communication and engagement between workers and management, as well as between the various divisions of Inditex. Ultimately this will have a positive impact on the lives of female workers whilst simultaneously improving the Group’s purchasing practices.

02.04/ Occupational health and safety

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:

428 factories with **636,430 workers**

SUPPLIERS TRAINED:

290 suppliers and manufacturers with **192,710 workers** trained in occupational health and safety.

RELATED SDGS



CORE STAKEHOLDERS

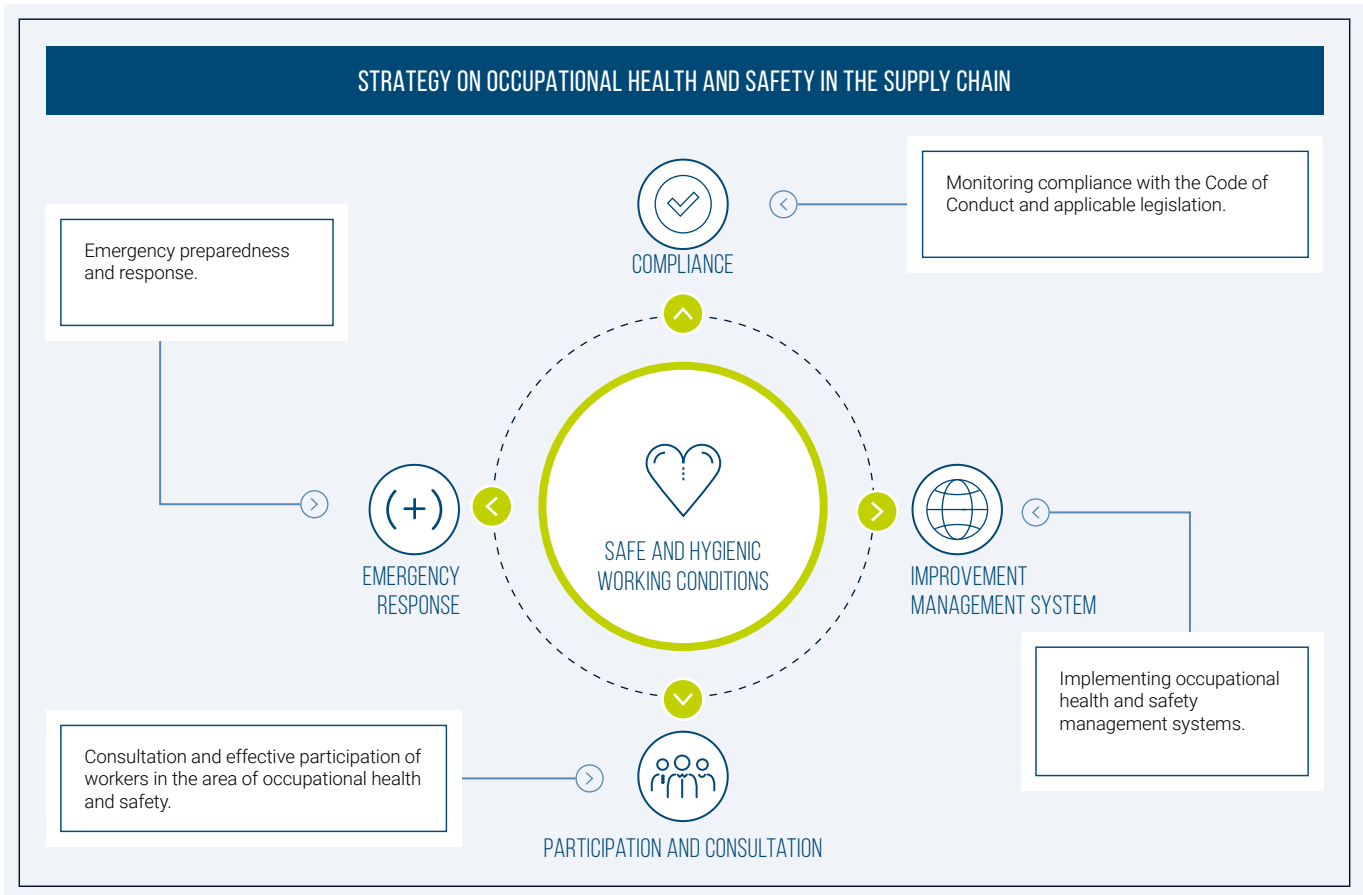
IndustriALL Global Union / Accord / Medicus Mundi /
 Autoridade para as Condições do Trabalho (Portugal) / Universidade do Minho / National Safety Council, India

GUARANTEEING THAT WORKERS IN THE SUPPLY CHAIN ARE PROTECTED AGAINST RISKS TO THEIR OCCUPATIONAL HEALTH, SAFETY, AND WELL-BEING.

In our industry, like in other production industries, there are occupational risks that can cause injury. In this sense, conventions, directives, standards, and legal requirements play a fundamental part. Other relevant global commitments, such as the Sustainable Development Goals (SDGs), also influence the context of occupational health and safety, particularly SDG 3, which includes targets closely linked to occupational health and safety. Our strategy on occupational health and safety in the supply chain is aligned with these international standards and commitments.

Occupational safety in the textile sector includes aspects as diverse as the structural safety of buildings, the management of chemical products, electrical machinery, and other ergonomic factors. Raising awareness on and engaging in the ongoing improvement of labour conditions from a health and safety perspective is a key factor in the protection of workers. This context leads us to consider the health and safety in our supply chain as a priority area within our *Workers at the Centre 2019–2022 Strategy*.





Occupational health and safety experts from the Inditex teams in the main production countries ensure the strategy is correctly implemented. Similarly, the contribution of different stakeholder groups is key to encouraging the positive impact of initiatives. The textile industry itself has responded to many of the existing challenges through global initiatives, such as the *Accord on Fire and Building Safety in Bangladesh* (also known as *Accord*), which is an example of progress in the safety of the textile sector in that country.

The strategy is implemented through the following areas of work:

- Compliance with the Code of Conduct and the applicable legislation: using the information obtained

when executing the sustainability compliance model, we set out projects and activities for our suppliers and manufacturers.

- Effective participation of workers in the area of occupational health and safety: we foster the setting up of health and safety committees in factories.
- Training and accompanying suppliers when implementing occupational health and safety management systems.
- Emergency preparedness and response: guaranteeing that our suppliers have a coherent, updated, and assimilated emergency plan, is a central objective in our strategic plan.

We are committed to ensuring the workers in the supply chain carry out their activity in safe and healthy environments.

02.04.01/ Monitoring compliance with the Code of Conduct and relevant legislation

By carrying out audits, our compliance programme provides us with information on health and safety risks to workers, enabling us to establish priority areas to work on at a thematic level.

Working with these priorities, we set out projects and activities involving our suppliers and manufacturers, with the ultimate goal of improving safety in the workplace and consistent compliance with the Code of Conduct. As well as improvement projects, we carry out actions relating to auditor training, reviewing our own methodologies and training our internal teams.

PROJECT	COUNTRY	DESCRIPTION	COLLABORATION	INDICATORS
HEALTH AND SAFETY ASSESSMENT, CONTINUOUS IMPROVEMENT AND TRAINING	Morocco	Project initiated in 2015 to check whether corrective actions have been successfully implemented in factories. Following remediation, a social audit verifies the positive impact of the actions.	Internal programme.	21 factories (7,381 workers) included in the project, with 10 receiving individual training.
HEALTH AND SAFETY TRAINING, ASSESSMENT AND CONTINUOUS IMPROVEMENT	China	Project commenced in 2019 in collaboration with Nanjing University EHS Academy and health and safety experts, providing training in fire, electrical and machine safety, and chemical processes safety management. Assessment of the companies trained and the implementation of corrective plans are now in progress and will continue over the course of 2020.	<i>Nanjing University EHS Academy.</i>	13 suppliers and 23 factories trained (9,058 workers).
STRUCTURAL, FIRE AND ELECTRICAL ASSESSMENT FOR NEW SUPPLIERS AND FACTORIES	Bangladesh	When working with new suppliers and manufacturers in Bangladesh, the onboarding process includes a structural, fire and electrical assessment to identify any risks present in facilities prior to becoming part of our supply chain In 2019 we introduced a technical assessment for any buildings not inspected by Accord and a pilot scheme for suppliers of raw materials.	Internal programme.	122 assessments of new suppliers and manufacturers of the finished product. 25 assessments of new suppliers and manufacturers of raw materials. 24 assessments of finished garment buildings not inspected by Accord.
MONITORING OF COMPLIANCE WITH ACCORD'S CORRECTIVE ACTION PLANS	Bangladesh	As a signatory of the Accord on Fire and Building Safety in Bangladesh, Inditex is committed to health and safety in textile factories. Supported by an external team dedicated to Inditex, our engineers verify and monitor the effective implementation of corrective actions in our suppliers and manufacturers as required by the Accord.	Internal programme.	383 monitoring visits to 76 suppliers and 51 manufacturers (304,173 workers).

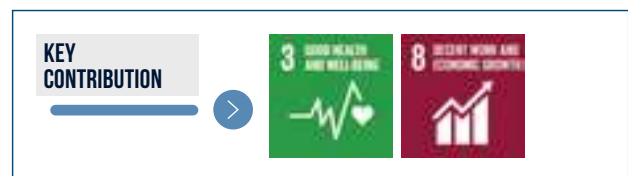


Improving workplace health and safety conditions in the supply chain in Portugal

In 2017 we started a project in collaboration with the *Autoridade para as Condições do Trabalho*, IndustriALL Global Union, FESETE, SINDEQ and the *Universidade do Minho*, with the aim of improving workplace health and safety in the supply chain in Portugal.

In 2019, 42 suppliers attended a new training session to provide continuity on awareness, assessment and corrective tasks relating to the breaches this project encompasses. IndustriALL, its local members and health and safety experts from the *Autoridade para as Condições do Trabalho* and the *Universidade do Minho* took part.

Similarly, monitoring of progress on corrective action plans at suppliers and manufacturers' facilities continued. The positive impact of the project was also verified in the Code of Conduct compliance programme.



42 SUPPLIERS TRAINED



47% OF FACTORIES INVOLVED HAVE SIGNIFICANTLY REDUCED THEIR RISK

74 COMPANIES IMPLEMENT THE PROJECT WITH THE COLLABORATION OF 40 RELATED SUPPLIERS




IMPACT ON 4,737 WORKERS



29 FACTORIES ASSESSED IN 2019

02.04.02/ Effective participation of workers in occupational health and safety

Protecting the health and safety of workers requires the involvement and direct contribution of the workers themselves. This is why we encourage our suppliers to set up and train health and safety committees in their factories, along with other consultation and participation mechanisms.

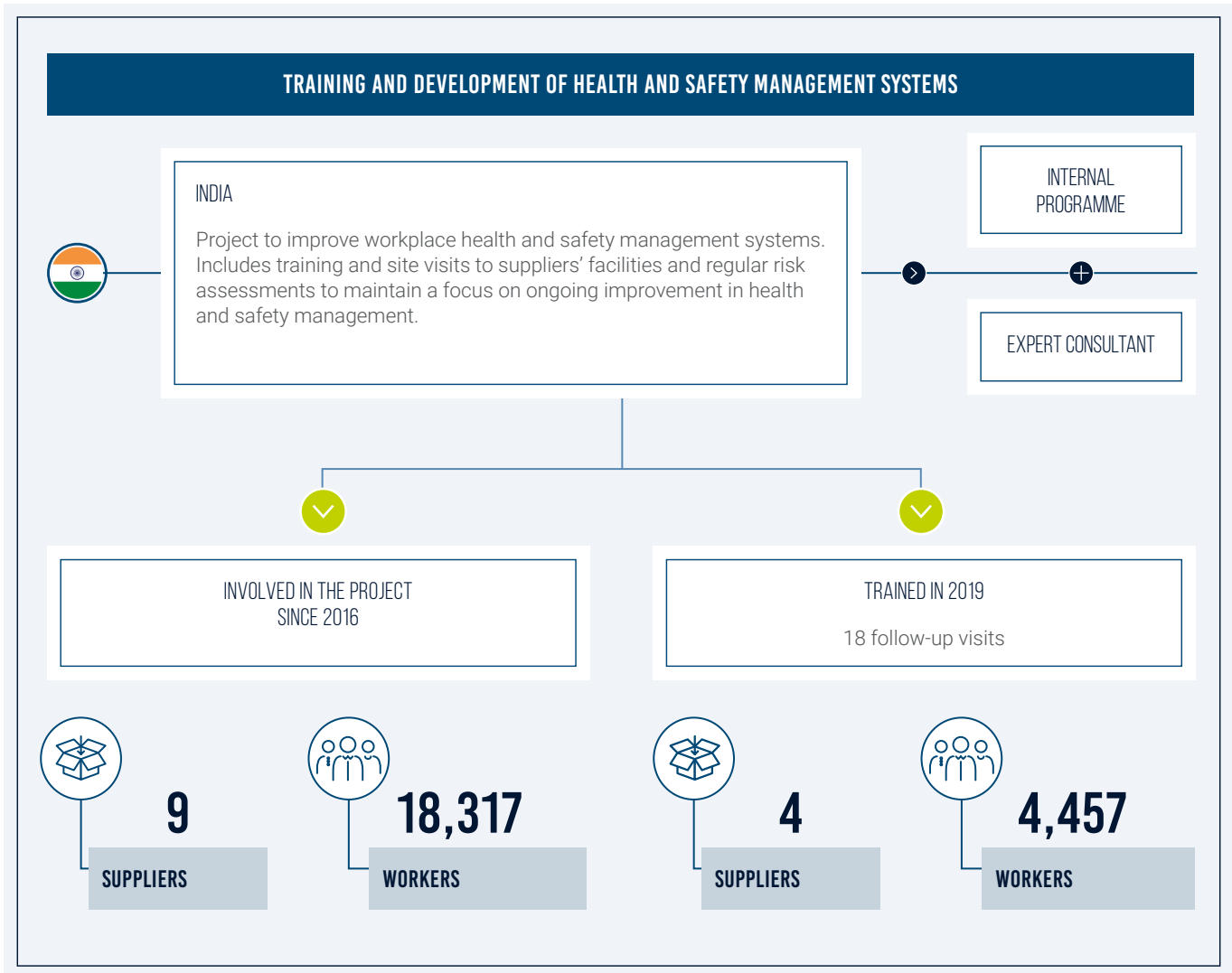
PROJECT	COUNTRY	DESCRIPTION	COLLABORATION	INDICATORS
SUPPORT AND BACKING FOR HEALTH AND SAFETY COMMITTEES	Morocco	One of the lines of work of our project with <i>Medicus Mundi Sur</i> and <i>AMSAT - Association Marocaine de la Santé au Travail</i> - focuses on operational support and backing for health and safety committees, both in defining annual action plans and reviewing documentation.  More information on page 120 of this Annual Report.	<i>Medicus Mundi Sur</i> and <i>AMSAT (Association Marocaine de la Santé au Travail)</i> .	Training and backing for health and safety committees in 12 factories (3,402 workers)
SUPPORT AND DIRECT INVOLVEMENT IN ACCORD COMPLAINTS AND REPORTING PROCEDURES	Bangladesh	This legally binding agreement enables workers to ask questions about health and safety risks confidentially via their complaints and reporting procedures.	<i>Accord</i> .	48 communications managed, relating to 37 factories (118,920 workers)
TRAINING FOR HEALTH AND SAFETY COMMITTEE MEMBERS VIA THE NATIONAL SAFETY COUNCIL	India	Industrial safety training promoted by the <i>National Safety Council</i> in India.	<i>National Safety Council</i> .	39 member health and safety managers from 11 suppliers



02.04.03/ Implementing workplace health and safety management systems

The continuous improvement of health and safety conditions goes beyond reducing identified risks.

Management's firm commitment is fundamental to setting up management systems in our suppliers and manufacturers' facilities, which should include assigning clear roles, responsibilities, procedures and indicators. We provide training and support with the implementation process to our suppliers and manufacturers so they can set up these systems.



Management's commitment is fundamental to setting up health and safety management systems in our suppliers' and manufacturers' facilities, which should include assigning clear roles, responsibilities, procedures and indicators.

02.04.04/ Emergencies: preparation and response

Preparation and a coordinated response are fundamental aspects of minimising the negative impacts of serious and imminent risks to workers. This is why guaranteeing our suppliers have robust, up-to-date and integrated plans in place to deal with emergencies forms an essential part of our strategic plan.

At Inditex we have commenced work on a guide to establishing and improving emergency planning. Health and safety experts from our social sustainability teams are working on the development, and it will be shared with suppliers upon completion. NFPA 1600, ISO 45001:2018 and FEMA 141/October 1993 standards have been used for reference in the development of the report. We have also defined procedures internally for communicating and assessing potential emergencies identified in our supply chain.

PROJECT	COUNTRY	DESCRIPTION	COLLABORATION	INDICATORS
TRAINING, ASSESSMENT AND IMPROVEMENT OF RESPONSES TO EMERGENCIES, AND FIRE AND ELECTRICAL RISKS.	Pakistan	Training project commenced in 2019. Also includes risk assessments in facilities to establish corrective action plans.	Internal programme in collaboration with an expert consultant.	9 suppliers trained (63,130 workers) and 5 facilities from 2 suppliers assessed.
ANALYSIS OF CASES PRESENTING POTENTIAL STRUCTURAL RISKS	Turkey, China, Italy, Portugal	Internal mechanisms to communicate potential emergencies and risk assessment.	Internal programme.	50 cases managed in Turkey, China, Italy and Portugal.



KEY CONTRIBUTION



Emergency response and earthquake risk training in Turkey

In 2019 we conducted training sessions in collaboration with the NGO AKUT Search and Rescue Association in industrial zones located in high seismic hazard zones in Turkey, with a focus on emergency response. 28 suppliers and 124 manufacturers (with a total of 31,693 workers) received training with a particular focus on earthquake activity.

Training sessions for suppliers and manufacturers were also complemented by training on the subject in schools and communities. 15,106 pupils from 10 schools received training.

02.05/ Protection of migrants and refugees

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:

15 factories with **4,798 workers**

SUPPLIERS TRAINED:

77 suppliers and manufacturers with **17,316 workers** trained on migrants rights and cohesion in the workplace.

REMIEDIATION PLANS:

70 remediation plans with **59 refugee workers** and **91 migrant workers**.

RELATED SDGS



CORE STAKEHOLDERS

International Labour Organization / MUDEM / Pratham / United Work / CCR CSR

ENSURING THAT THE RIGHTS OF REFUGEES AND MIGRANTS ARE UPHELD AND THAT A DECENT WORKPLACE IS PROVIDED IN FACTORIES, SUPPORTING COHESION.

Forced migration can lead to a situation of vulnerability of people both at work and in their personal life, which can affect their human rights, precisely as a result of their migrant status.

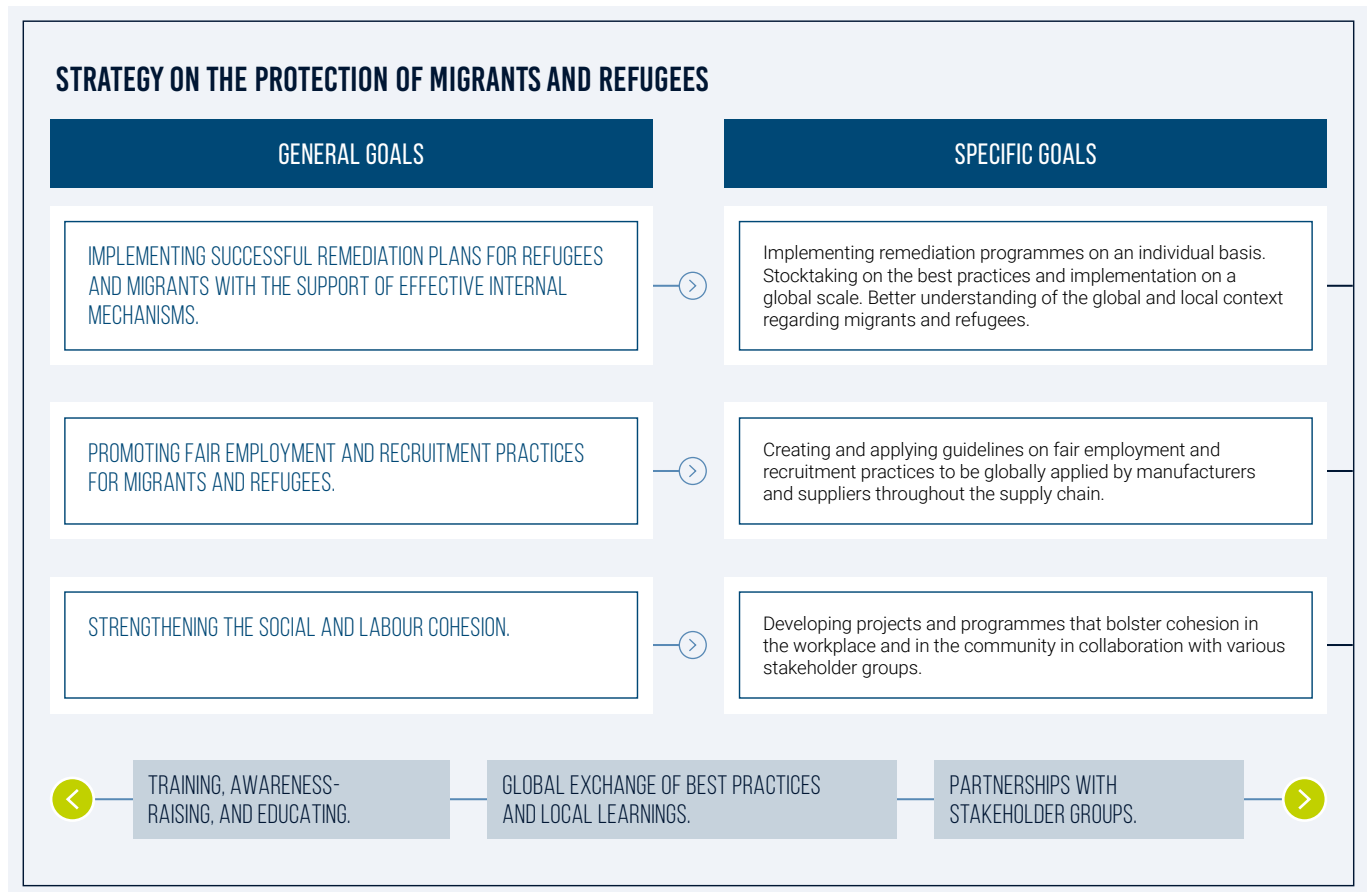
At Inditex we have a zero tolerance policy towards the exploitation and discrimination of any worker in the supply chain, as set forth in our Code of Conduct for Manufacturers and Suppliers. This approach especially applies to migrants and refugees, as a collective that is potentially more vulnerable to such abuse.

In addition to the Compliance Programme with the Code of Conduct, frameworks such as the United Nations Global Compact on Refugees and the United Nations

Guiding Principles on Business and Human Rights, are our benchmark when it comes to planning and implementing initiatives for the protection of migrants and refugees. Inditex has a strategy dedicated to this collective that is structured around three specific goals, making it possible to redress any potential discrimination situation and promote fair labour practices that encourage labour cohesion.


At Inditex we analyse and monitor the conditions of these workers in our supply chain, to ensure there are no violations to their rights. Specifically, in India and China, where internal migration is more commonplace, and in Turkey, a country which – due to the conflict in Syria – has become a major host to migrants and refugees.





Similarly, we acknowledge the importance of cooperation to address the challenges related to the recruitment and employment of refugees and migrants, particularly in countries with weak regulations. For this reason, we partner with key players such as the ILO, UNHCR, Ethical Trading Initiative, employer organisations and other brands, suppliers and NGOs. We are also a member of the *Tent Partnership for Refugees* platform.

In parallel, and from an academic perspective, we support the research into migratory phenomena and the reality of migrants through the Inditex Chair of Refugees and Forced Migrants at the Comillas Pontifical University. The institution, which partners with organisations working in the field with forced migrants and refugees, has launched various research projects to raise awareness around the reality of these people and to improve actions taken with them. For example, the Chair has been a trailblazer in the study on the phenomenon of refugees in Spain. It is also particularly active in raising awareness on this matter, as well as in transferring knowledge and methods for intervention.

 More information about Inditex Chair of Refugees and Migrants in the chapter Working for the Community, from page 234 of this Annual Report.

The strategy on the protection of migrants and refugees is implemented through the following areas of work:

- Implementing remediation plans for refugees and migrants: they are provided with the collaboration of external entities, in addition to the involvement of the Inditex suppliers, manufacturers, and buying teams. This is the case in Turkey, for example, where we have partnered with the NGO *Refugee Support Centre* (MUDEM) through a framework agreement since 2015.
- Promoting fair employment and recruitment practices for migrants and refugees: we undertake various programmes, e.g. in partnership with *United Work* in Turkey, the goal of which is to train refugee and migrant workers and to raise their awareness regarding their rights. It also includes supplier training activities.
- Strengthening the social and labour cohesion in factories where migrants work and in the communities in which they live. Projects are undertaken in countries such as India, China, and Turkey, in partnership with various entities and according to the local specific characteristics, but upholding the common focus on the well-being of workers.

We collaborate with the NGO Refugee Support Centre (MUDEM) in Turkey to establish remediation plans for refugees and migrants.

02.05.01/ Remediation plans for migrants and refugees

If we detect any cases of the violation of migrants and refugees' rights, we put remediation plans into place in collaboration with external bodies and Inditex suppliers, manufacturers and commercial teams. For example in Turkey, we have been collaborating as part of a framework agreement with the Refugee Support Centre (MUDEM) since 2015.

In 2019, 70 remediation plans were conducted in collaboration with 55 suppliers and manufacturers with

MUDEM's support. The plans reached 59 refugee and 91 migrant workers, with our teams and the NGO offering support and guidance on formalising their work status.

Training is a fundamental aspect of implementing remediation plans effectively. Firstly, we provide training to external auditors in countries most at risk of having migrant or refugee workers in vulnerable situations, so that auditors can successfully detect and look into such cases, including recruitment practices. Secondly, and under the remediation plan framework, we also offer training to suppliers to raise awareness on good employment practices and encourage migrant and refugee cohesion and inclusion.



SANKALP - Preventing unsafe migration in India

Objectives

- Equal opportunities for all.
- Reducing vulnerability and eradicating potential underage work.

In India, the majority of minors who migrate do so for work reasons. This is why it is essential to shore up the prevention of this type of migration for work reasons in their home communities. This is the aim of the Sankalp programme which we are developing in collaboration with the ONG Pratham.

Migration from rural to urban areas has increased in the country in recent years. With this in mind, the programme has a focus on the states it originates from: Uttar Pradesh and Bihar. We have introduced training measures there, such as setting up help points in bus and train stations. People in potentially vulnerable situations can be identified at these help points, gaining an in-depth understanding of their cases, providing them with remediation where necessary and ensuring they return home.

Meanwhile, training has been given to governmental authorities at these exit points so that prevention systems can be better implemented. Regular visits to homes also take place, enabling a dialogue with parents and communities to promote education.



507 CASES OF PREVENTING UNSAFE MIGRATION

9,500 PEOPLE EDUCATED ON THE PREVENTION OF UNSAFE MIGRATION AND UNDERAGE WORK

4,135 ADULT MIGRANTS EDUCATED ON THEIR RIGHTS

02.05.02/ Fair employment and recruitment practices for migrants and refugees

Ensuring that formally employed migrants can fully exercise their rights and enjoy equal opportunities in a decent working environment is another of our objectives. To do this, we develop action guidelines, train suppliers and manufacturers and implement programmes promoting fair employment practices.

Programme with United Work in Turkey

Work continued in 2019 on our awareness and training programme for migrants and refugees with United Work

in Turkey. The objective behind it is to train and raise awareness on the rights of workers, chiefly from Syria, through sessions focusing on rights, cultural differences, communication skills, workplace health and safety and other matters. The training also extends to employers to ensure they understand and implement fair working practices. In 2019, 106 Syrian migrants from six factories (a total of 1,823 workers) received training.

As well as training sessions, we also held training workshops with United Work in 2019 in cities across Turkey, addressing issues such as refugee rights, relevant labour legislation, and encouraging inclusive working environments. 73 suppliers and manufacturers (a total of 15,347 workers) took part in these sessions.



02.05.03/ Reinforcing social and workplace cohesion

Promoting social and workplace inclusion and cohesion in factories with migrant workers and their communities is another of our lines of work. In this vein, we are working on projects in countries such as India, China and Turkey in collaboration with various bodies. These are tailored to the specifics of each local region but have an overall focus on the wellbeing and social and workplace integration of these workers.

Training migrant parents with The Center for Child Rights and Corporate Social Responsibility

For the most part, migration in China is internal, with movements from rural provinces to the country's most industrialised zones. It is common for parents of migrant families to travel alone, leaving their children in the care of other family members. In 2019 work commenced on a programme with the organisation CCR CSR (The Center for Child Rights and Corporate Social Responsibility) focusing on supporting these workers. Four factories from our supply chain (with 1,969 workers) took part, with the direct involvement of 175 mothers and fathers.

The programme examines tools and mechanisms that can be used to help parents confront challenges in parenting their children from a distance. A particular emphasis was placed on how families can use technology to communicate, for example using smartwatches.

Training scheme with the Refugee Support Centre (MUDEM)

In 2018 we launched a pilot scheme with MUDEM to promote migrant and refugee integration based on learning outcomes from remediation plans. In 2019 the project was implemented at two factories, to the benefit of 505 workers.

Integration programme with the International Labour Organization

This programme, promoted by the ILO in Turkey, seeks to improve cohesion between Syrian refugees and their Turkish colleagues in factories. Turkish volunteers receive training so they can act as mentors to their Syrian refugee colleagues, spending time with them inside the factory and out. This makes it easier for the refugees to integrate, both from a cultural and language perspective, fostering social and workplace cohesion. The programme has been implemented at five factories with a total of 1,579 workers.

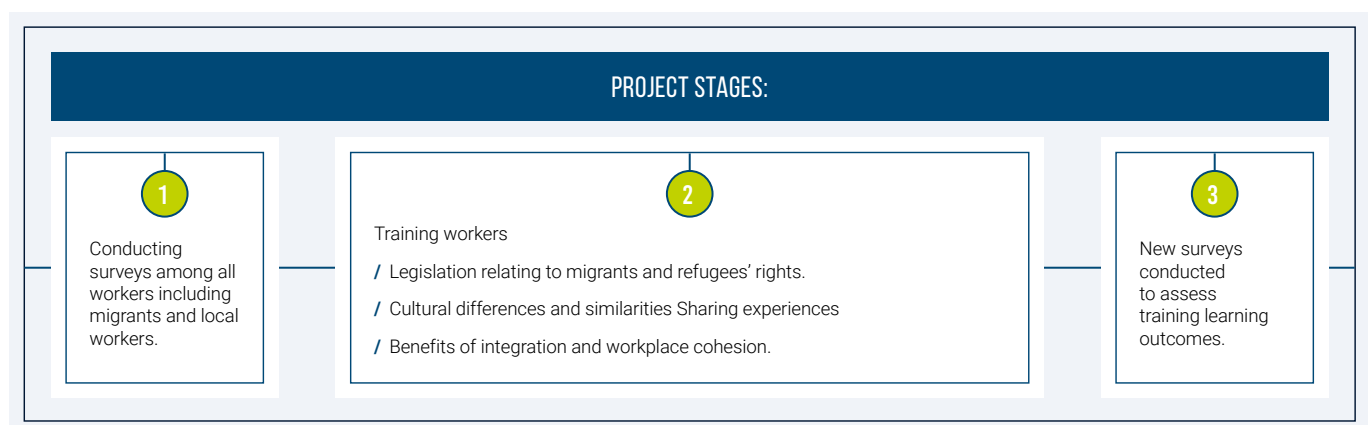
Chair in Forced Migrants and Refugees

The Inditex Chair in Forced Migrants and Refugees at Universidad Pontificia Comillas has worked on various lines of work since 2016. When it started it began a collaboration with organisations working on the ground with forced migrants and refugees.

Simultaneously, it has carried out various quality investigations to raise awareness of refugees and immigrants' situations and improve programmes and interventions with them. Highlights of this work include research into the refugee phenomenon in Spain, with an investigation of the integration process and official reception arrangements in Spain. Work is also under way on a longitudinal transnational survey for migrants and refugees, broadening the field of study and the first of its kind to examine this matter.

The Chair is also very active in raising awareness of the phenomenon, as well as transferring knowledge and methods of intervention in this field through various means.

 More information on the Inditex Chair in Forced Migrants and Refugees in the chapter entitled Working for the Community, from page 234 of this Annual Report.



02.06/ Social Protection

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT
PROJECTS AND PROGRAMMES:

10 factories with **11,536 workers**

PROGRAMMES WITH COMMUNITY INVOLVEMENT:

Programmes in **India** and **Turkey**.

RELATED SDGS



CORE STAKEHOLDERS

Swasti / Pratham / Aung Myin Hmu / Çağdaş Türkiye'nin Gelecek
Güvencesi / Istanbul Bilgi University

ENABLING THE WELL-BEING OF WORKERS IN THE SUPPLY CHAIN.



Social protection is defined as the set of policies and programmes designed to curb and prevent vulnerability. Social protection extends not only to the workers, but also to their family, and covers concepts such as protection of maternity, unemployment, education of minors, care for disabled and elderly people, and health protection, in addition to others. According to the ILO, only 27% of the world's population has adequate social protection. And more than half does not have access to any coverage.

Social protection has been identified as one of the core areas for achieving the global goals of our *Workers at the Centre 2019-2022 Strategy*, while contributing to achieving the SDGs 1, 3, 8 and 17. Along these lines, social protection is a concept that, despite not being one of the 17 SDGs of the United Nations 2030 Agenda, is a necessary and cross-cutting component in order to achieve other goals. Therefore, working to improve social protection in our supply chain is aligned both with our principles and values as a Company and with our commitments to stakeholder groups.

The industry dimension plays a key role in this priority area. Offering adequate social protection to workers involves governments and public bodies, as well as local and international civil society organisations, which makes cooperation between all stakeholder groups fundamental. To do so, when implementing our programmes we partner with local NGOs that have in-depth knowledge and experience on the reality and challenges in the area in which they operate.

Upon creating this new framework, we aim to identify the priorities within the broad concept of social protection through which we can have a positive short-term impact, while being mindful of the long-term goals. To structure our work, we have defined four specific goals to address noteworthy issues in the global context and particularly vulnerable groups.

Through due diligence in human rights, we have identified social protection as one of the Priority Impact Areas of our Workers at the Centre 2019-2022 Strategy.



STRATEGY ON SOCIAL PROTECTION IN THE SUPPLY CHAIN

FACILITATING ACCESS TO PROPER NUTRITION AND DRINKING WATER

ENSURING ALL WORKERS HAVE ACCESS TO SOCIAL PROTECTION AND SOCIAL BENEFITS

PARTNERING WITH LOCAL COMMUNITIES TO ALLEVIATE POVERTY AND PREVENT UNDERAGE WORK

PROMOTING THE PERSONAL HEALTH AND WELL-BEING OF WORKERS



AWARENESS-RAISING AND TRAINING



PARTNERSHIPS WITH STAKEHOLDERS



WORK WITH COMMUNITIES



CONSTANT FOCUS ON THE WORKER'S WELL-BEING



The strategy is implemented through the following areas of work:

- Facilitating access to proper nutrition and drinking water: we seek to guarantee these universal rights for all the workers in our supply chain. Training not only suppliers, but also the workers themselves, is crucial to achieving these rights.
- Ensuring all workers have access to social protection and social benefits.

- Partnering with local communities to alleviate poverty and prevent underage work: At Inditex we have a Remediation Plan in the event of identifying cases where minors are forced to forsake their education to contribute to the family economy. We also develop specific programmes to tackle possible causes at their root.
- Promoting the personal health and well-being of workers: In 2019, we launched a pilot project in India, in collaboration with the organisation Swasti, focused on the well-being of 7,082 workers from five of our suppliers in the country.



02.06.01/ Facilitating access to adequate nutrition and drinking water

Access to adequate nutrition and drinking water is one of the universal rights we want to guarantee for workers in our supply chain. Our Code of Conduct requires suppliers to provide drinking water to all workers and provide food storage facilities where required. In many countries it is

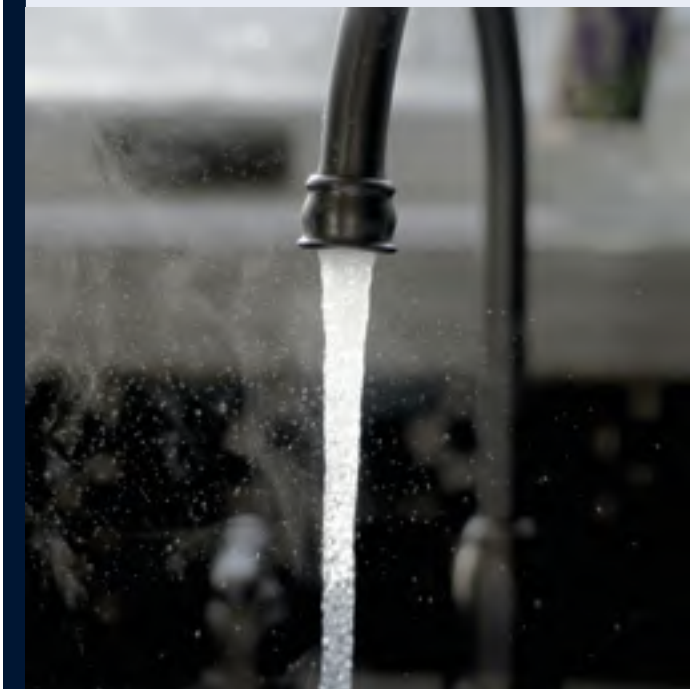
common for workers to eat in factories: whether the food is prepared in canteens at the factories or by the workers themselves. However, the quality of food and water can be affected by climate and environmental conditions, and to protect workers' health it is vital to prevent this from happening. Training suppliers – and also the workers themselves – is key to ensuring attention is paid to adequate nutrition and food storage.



KEY CONTRIBUTION

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH



Improving food storage facilities and the supply of drinking water

Work commenced on a pilot project in Myanmar in 2019, with the support of local organisation Aung Myin Hmu, to improve food storage facilities and the supply of drinking water in five factories from our supply chain, reaching a total of 4,454 workers.

The project includes creating properly temperature-controlled and ventilated hygienic storage rooms suitable for storing food in optimum conditions. By the end of 2019 these had been successfully installed in five of the participating factories. This was complemented by showing training videos on healthy and hygienic habits during meal breaks.

Training was also provided at all factories.

THE MAIN TOPICS COVERED WERE:

- 1 Drinking water and adequate hydration
- 2 Nutrition and healthy eating
- 3 Health and hygiene

02.06.02/ Acces to social protection and social benefits

Social security systems vary from country to country, and all have their own characteristics. Our compliance programme encompasses the assessment and improvement of social security management systems conducted in our suppliers' factories. For this reason, we have carried out social security risk assessments at our clusters, so we can understand the systems and challenges workers face in gaining full access to their benefits and rights, and to develop action plans tailored to each situation.

Our goal is for all workers to have access to social security and other social benefits, regardless of the characteristics of the systems in place at a local level. Ultimately, if the systems are insufficient in guaranteeing the well-being of workers, we collaborate with the relevant institutions and organisations to develop or add to existing systems where necessary.

02.06.03/ Alleviating poverty and preventing underage work

Eradicating poverty is the first of the 17 Sustainable Development Goals and almost all of the remaining SDGs rest on achieving it. Poverty is the root cause of many of the challenges society faces, and eradicating it is the first step towards achieving full social protection and well-being in communities.

Code of Conduct Remediation Plan

One of the potential consequences of poverty is the use of workers under the legal working age, as a lack of income may lead to minors being forced to abandon their education in order to contribute to the household economy. At Inditex, we have a Remediation Plan in place to implement when we identify any such instances. The core concept is to protect and guarantee people's rights, in particular their right to education.

In this sense, as soon as the plan is put into practice, the supplier is responsible for ensuring they receive an education until they reach legal working age, or the age stipulated by our Code of Conduct if this is higher.

During this time the supplier must either hire another family member or pay a sum equivalent to the wage the person was receiving, thereby ensuring the family is not left without a source of income. Another fundamental aspect of the plan is the development of preventive measures on the part of the supplier, to avoid the situation repeating itself. These plans are conducted in cooperation with local organisations, such as Pratham in India or CYDD (Association for the Support of Contemporary Living) in Turkey.

As well as putting individual corrective plans in place, we also develop programmes in the community to avoid these situations from occurring and to tackle the potential root causes before they arise.

Sankalp - Underage work prevention

We started the Sankalp Programme in collaboration with Pratham, an NGO in India, in 2015. The main goal is to work with communities to raise awareness of the benefits of education and the harm underage work brings with it. In addition, training centres have been set up to complement schools, where children can go after classes to continue their learning.

In 2019 we continued with the implementation of Sankalp in five towns in India, where the communities play a fundamental role in ensuring the project is ongoing and sustainable. Vigilance Groups have been set up, trained by the communities themselves, which ensure the continuation of schooling until the age of 16 at a minimum. Training parents and adults in the community on the importance of education is fundamental to the success of the project.

Promoting education in Turkey

We are collaborating with İstanbul Bilgi University in Turkey to promote education and reduce the number of pupils who abandon their studies in vulnerable communities. The project includes collaborating with the community and local authorities to establish effective mechanisms to prevent the abandonment of studies.

Highlights of 2019 activities include summer schools with 17 children aged 9 - 14 with fun and educational workshops and activities to educate them on their rights and motivate them to continue their education.



02.06.04/ Health and personal well-being

Well-being and happiness among workers have numerous benefits. Happy people with a high level of psychological and social well-being benefit from improved physical and mental health, develop healthy personal and professional relationships, and tend to help their peers more, both in their own communities and the workplace.

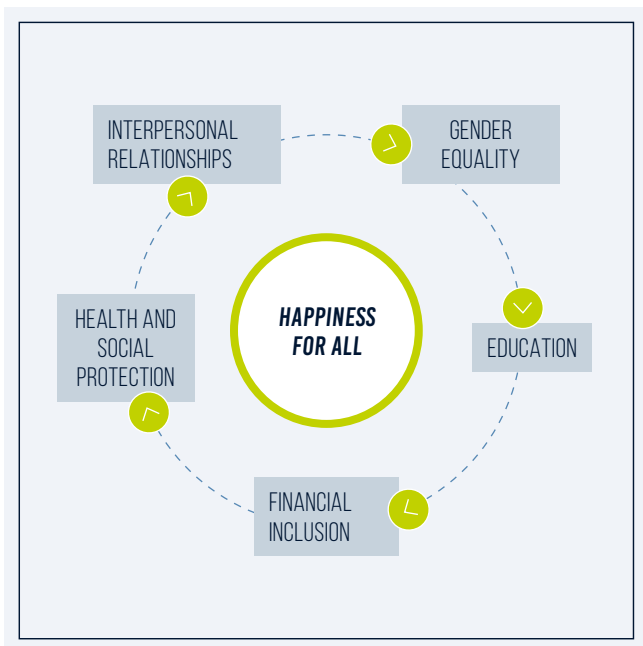
As such, health and wellbeing are directly connected. In this vein, the well-being programmes under the social protection strategy framework are a positive complement to the activities under the workplace health and safety umbrella.

Happiness for All project

We started a pilot scheme in India in 2019, together with the Swasti organisation, focusing on the well-being of 7,082 workers from five of our suppliers in the country. The project aims to improve the well-being of workers, with a long-term approach encompassing family members and communities.



Participating suppliers receive expert support, technical guidance, and training to set up integrated centres that offer workers solutions relating to social benefits available in India and the promotion of well-being. The objective extends the concept of well-being from the factory to the community. In 2019, guidance committees were set up with designated happiness experts to ensure the internal roll-out of the project with each supplier.



02.07/ Protection of labour rights in the production of raw materials

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:

4 factories with 4,113 workers

PROGRAMMES WITH COMMUNITY INVOLVEMENT:

Programmes in **China, India, Pakistan** and **Mali**.

RELATED SDGS



CORE STAKEHOLDERS

International Labour Organization / Tata Institute of Social Sciences

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.

Due to the complex structure of the production of raw materials, the reality of those working with these products is different to that of the workers at the factories of the finished product.

However, and as workers in our supply chain, Inditex's commitment to them is the same. We want to promote respect for their human and labour rights, as laid down in SDG 8.

Our strategy for the protection of labour rights in the production of raw materials was consolidated in 2019. There is an holistic approach to protecting the rights of these workers that seeks to join forces with various players, including local and international organisations, and the communities themselves. For example, to strengthen the progress of the stability of the cotton supply chain, we partner with other sector agents such as the *Better Cotton Initiative* (BCI), *Textile Exchange*, and *Organic Cotton*



Accelerator, in addition to – of course – collaborating with the International Labour Organisation.

The strategy is implemented through the following areas of work:



- Promoting the well-being of workers in the supply chain of raw materials: Our main initiative to strengthen the well-being of workers involved in the production of raw materials is the public-private partnership (PPP) we hold with the International Labour Organization.
- Raising the responsibility of all the players in the supply chain of raw materials as regards sustainability, for our raw materials to comply with all the standards.

In 2019, we signed an agreement with the *Tata Institute of Social Sciences (TISS)* in India, to undertake a project to analyse and improve the conditions of the country's leather production chain. Within the framework of the project, due diligence will be conducted on human rights with regard to the supply chain of this material, in order to identify priority fields of action and to carry out the action plans necessary to address the core challenges identified. The results of the due diligence will be included in mechanisms to promote the respect for human rights.

We have partnered with four suppliers (with 4,113 workers) to undertake this project. The goal is to replicate it in other countries that are also suppliers of leather as a raw material.



FEATURED CONTRIBUTION

CORE ACTIONS:



MAPPING AND IDENTIFYING THE COTTON PRODUCTION CHAIN



RAISING AWARENESS ON LABOUR RIGHTS



DEVELOPING THE SKILLS OF WORKERS



DIALOGUE WITH CIVIL SOCIETY AUTHORITIES AND ORGANISATIONS

Public private partnership with the International Labour Organization (ILO) for the cotton supply chain

In 2017, Inditex signed with the ILO a Public Private Partnership (PPP) to strengthen the fundamental principles and labour rights in cotton production and contribute to the sustainability of this raw material supply chain.

During the three years that we have been implementing this PPP, Inditex has collaborated with ILO to promote fundamental rights in cotton-producing communities in India, Pakistan, China and Mali. To achieve it, a cooperative approach with different stakeholders nationally and in the communities themselves is key.

To implement this Agreement, local representatives of ILO were appointed in 2018 as project coordinators, responsible for initiating the activities that fall within the scope of the project with the support of Inditex's local Sustainability teams.

Likewise, in 2019 a round of consultations took place to involve a larger number of stakeholders to implement the agreement. Additionally, training was imparted to the communities involved in cotton production and harvesting in Pakistan. During such training sessions, awareness was raised among cotton workers and their families regarding their fundamental labour rights, specific health and safety issues, social dialogue and information about applicable laws and regulations.

Within the framework of this Agreement, in which China is a collaborating party, projects are also being developed in the provinces of Hebei, Shandong, Hubei and Anhui.

<p>/ Increasing knowledge on the fundamental principles and rights at work in the cotton supply chain.</p>	<p>/ Promoting respect for the fundamental principles and rights at work in cotton-producing communities.</p>	<p>/ Contributing to meaningful social dialogue and collaboration, at industry level, relating to fundamental principles and rights at work.</p>
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STRATEGIC FRAMEWORK OF THE AGREEMENT



We partner with bodies such as the International Labour Organization on the sustainability of the cotton supply chain.

- Creating best practices and recommendations for the raw material supply chain: Partnering with various internal and external stakeholder groups is a fundamental part of this goal, since we seek to implement best practices that are not only exclusive to Inditex, but which serve as a benchmark for the entire industry.

The strategy for the protection of labour rights of workers in the supply chain of raw materials is backed by the environmental sustainability strategy, in that they complement each other in order to achieve the production and consumption of sustainable and responsible raw materials. As a result of the confluence of both strategies, we contribute to SDG 12 (Responsible consumption and production).



A number of reports were released in 2019, denouncing potential non-compliance practices in social and labour matters in some regions of central Asia, where Inditex does not have commercial relations with any factory.

Additionally, Inditex conducts thorough due diligence across our supply chain in the region through our internal teams and expert external partners to ensure the absence of forced labour and compliance with our Code of Conduct and international labour standards, including:

- Actions at Community level within the Public Private Partnership with the International Labour Organization to enhance human and labour rights covering the fundamental rights and principles at work, including the prevention of forced labour.
- Actions at Industry level, as established in the UN Guiding Principles on Business and Human Rights and in collaboration with the relevant stakeholders to promote the human and labour rights of workers within the global textile supply chain.

Furthermore, Inditex is a signatory to the *Uzbek Cotton Pledge* for the eradication of forced labour in the production of cotton in Uzbekistan.
<https://www.sourcingnetwork.org/uzbek-cotton-pledge>





03/ Compliance

The *Workers at the Centre 2019-2022 Strategy* is supplemented by cross-cutting actions to verify and guarantee compliance with the Code of Conduct and international standards, as well as to work with our suppliers and stakeholder groups on the continuous improvement of our supply chain.



03.01/ Assessing compliance

All the facilities required to produce our items must comply with the Code of Conduct for Manufacturers and Suppliers. To verify that it is applied correctly and to detect potential deviations in the social field, we carry out a *pre-assessment* on companies before they enter the supply chain, and regular social audits on companies once the business relationship has begun.

 More information about pre-assessment audits on page 93 of this Annual Report.

The methodology of the Social Audits implemented in Inditex was initially designed in 2007 in partnership with the former International Textile, Garment and Leather Worker's Federation (currently integrated in IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics of Cambridge 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 the facilities of the audited company.
- Interviews with management.

The main aim of the audits is to verify the degree of compliance with Inditex's Code of Conduct and set up Corrective Action Plans, where necessary, to ensure that human and labour rights are upheld and to correct any detected non-compliance.

Social audits can be conducted by internal and external auditors, but always without notifying the company to be audited in advance. To ensure the quality of the audits and that our methodologies are correctly applied, we make major efforts in training external auditors. Last year we worked with 793 external auditors¹, of which 756 were trained in 2019.

In 2019, 6,411 social audits² were carried out, compared to 5,359 in 2018. This rise is chiefly due to progress in the traceability of materials and the inclusion of non-textile items within the scope of the audits.

SOCIAL AUDITS IN 2019

GEOGRAPHIC AREA	NUMBER
África	406
Americas	19
Asia	3,020
Europe outside the EU	1,660
European Union	1,306
TOTAL	6,411

(1) Includes auditors that have conducted social, *pre-assessment*, traceability, and special audits in 2019.

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

As a result of the social audits, suppliers and manufacturers are classified according to their degree of compliance with the Code of Conduct. In 2019, the suppliers in operation are classified as follows:

CLASSIFICATION (*)	2019(**)		2018	
	NUMBER OF SUPPLIERS	PERCENTAGE (%)	NUMBER OF SUPPLIERS	PERCENTAGE (%)
A	784	40%	661	35%
B	1,051	53%	1,045	56%
C	44	2%	80	4%
CAP	38	2%	47	3%
PR	68	3%	33	2%
TOTAL	1,985	100%	1,866	100%

(*) **Supplier A:** Complies with the Code of Conduct.
Supplier B: Does not comply with some non-relevant aspect of the Code of Conduct.
Supplier C: Does not comply with some sensitive, but not conclusive, aspect of the Code of Conduct.
Supplier in Corrective Action Plan (CAP): Breaches of the Code of Conduct triggering the immediate implementation of a Corrective Action Plan.
Supplier PR: Audit in progress.

(**) In 2019 we have extended the scope of the information reported on suppliers including, in addition to the previous years, non-textile items. It includes suppliers with more than 20,000 purchasing units in the 2019 spring/summer and autumn/winter campaign. Suppliers producing less than 20,000 units account for 0.27% of overall production.

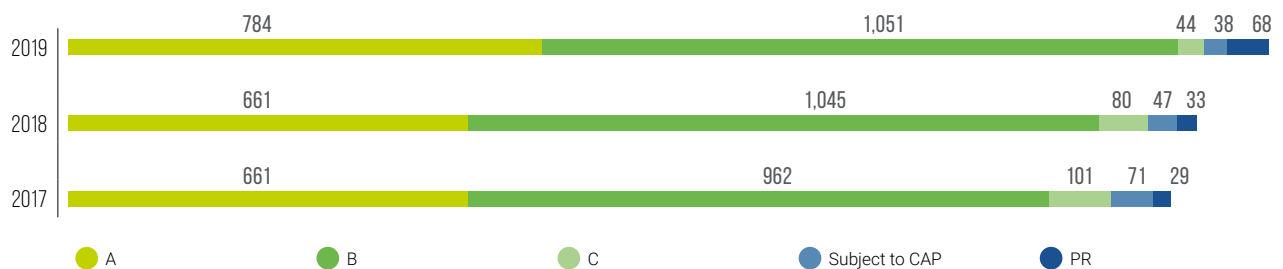
It is worth noting that, in 2019, 97% of the textile and non-textile items (extended scope) were purchased at A or B-ranked suppliers, which represent the highest degrees of compliance in terms of social sustainability.

 More information about Inditex's responsible purchasing practices on page 94 of this Annual Report.



Supplier ranking has improved year upon year, as a result of our efforts to ensure that our workers' conditions are adapted to the Code of Conduct, and due to the joint work with suppliers and our stakeholder groups on the continuous improvement of our supply chain.

CHANGES IN THE RANKING OF SUPPLIERS IN THE LAST THREE YEARS



It is worth stating that the social ranking of the supplier also determines the possibility of producing *Join Life* products. This demonstrates how sustainability criteria are fundamentally relevant in purchasing practices.

 More information about *Join Life* on pages 83 of this Annual Report.

Social audits are also a highly important information source for the impact approach, since they make it possible to identify the core challenges in each country regarding the Code of Conduct. In doing so, our teams can assess and identify which actions to take to overcome them.

PERCENTAGE OF COMPLIANCE WITH THE CODE OF CONDUCT IN THE ACTIVE FACTORIES ⁽¹⁾ OF SUPPLIERS WITH PURCHASES IN 2019

	AFRICA	AMERICAS	ASIA	EUROPE OUTSIDE THE EU	EUROPEAN UNION
No forced labour					
No work by youths or child labour ⁽²⁾					
No discrimination					
Respect for FOA ⁽³⁾ and collective bargaining					
No harsh or inhumane treatment					
Hygiene at work					
Wage compliance					
Working hours					
Environmental awareness					
Regular work					
Implementation of the Code ⁽⁴⁾					

● > 90
 ● > 70
 ● > 50
 ● < 50

- (1) Factories blocked in 2019 not included.
- (2) Includes the lack of suitable systems for verifying the age of workers.
- (3) Freedom of association.
- (4) Includes the lack of suitable systems for registering and communicating with workers.



In addition to social audits, we conduct special audits, which focus on a specific area for improvement. Some of the objectives of these audits include assessing workers' conditions from a health and safety perspective, and conducting structural technical assessments. Like social audits, they can be carried out by external or internal auditors.

SPECIAL AUDITS IN 2019

GEOGRAPHIC AREA	NUMBER
Africa	57
Americas	112
Asia	1,117
Europe outside the EU	236
European Union	97
TOTAL	1,619

03.02/ Continuous improvement

Working with suppliers and manufacturers is crucial to achieve the ongoing improvement of employees' working conditions. In addition to the action taken in the Priority Impact Areas in this regard, Corrective Action Plans are another tool used to optimise the supply chain from a social perspective.

Each social audit triggers, if so, 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.

FEATURED CONTRIBUTION

8 DECENT WORK AND ECONOMIC GROWTH

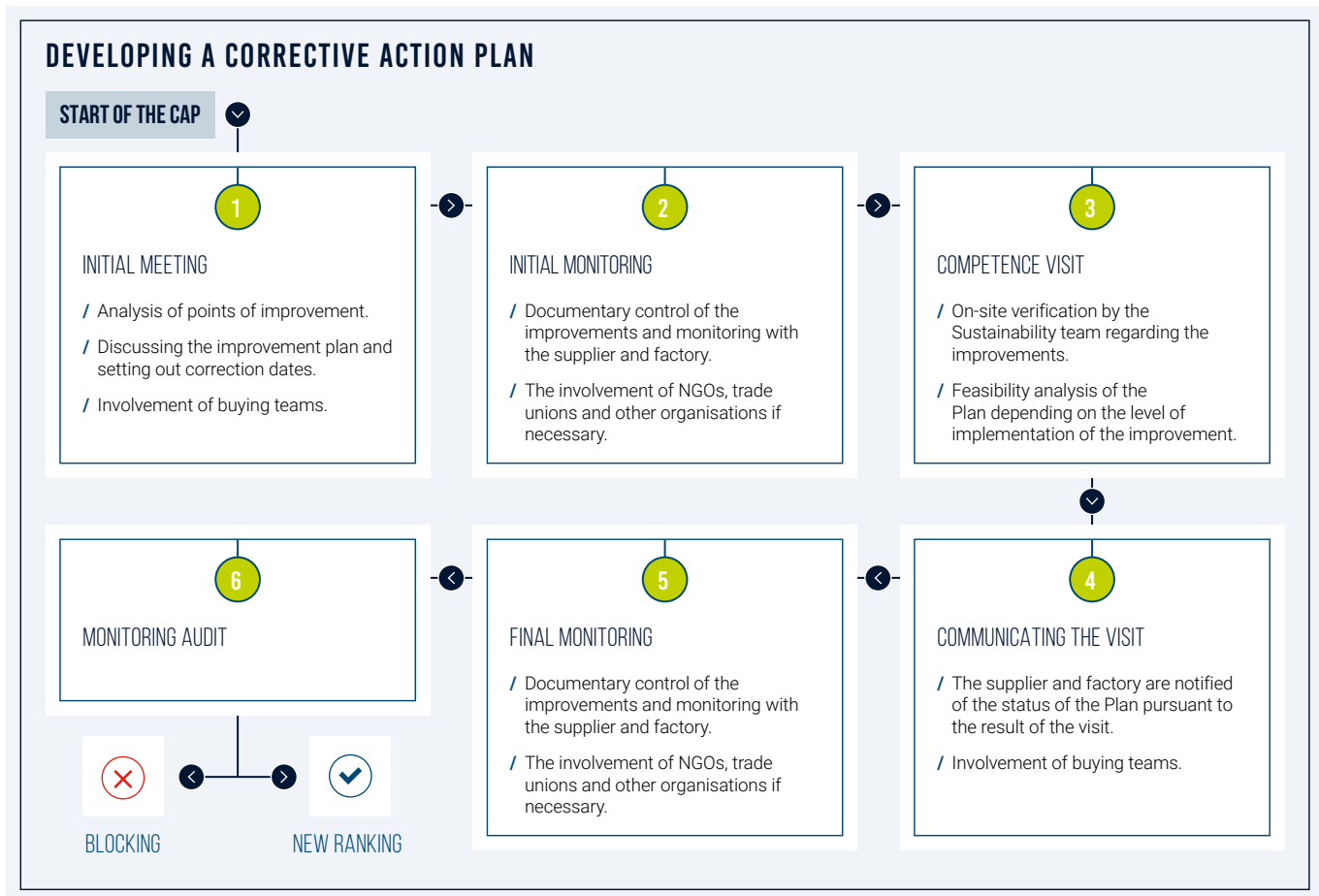
17 PARTNERSHIPS FOR THE GOALS



Social & Labor Convergence

Although the audit-focused compliance approach has played an important role improving social and labour conditions over the past two decades, it has also led to a proliferation of audits and consumed many of the resources devoted to the sustainability management. Despite being a valuable tool, there are also limits to the audits' usefulness.

Inditex supports and is part of the Social & Labor Convergence initiative, the aim of which is to create an efficient, scalable and sustainable solution for social audits and avoid duplicative efforts. Together we are working to implement the first converged industry-wide framework for assessing social and labour conditions so that the resulting data can be shared and analysed. The time and resources saved as a result can be redeployed to promote lasting improvements.



Inditex’s Social Sustainability teams and its buying teams, provide the supplier with ongoing support throughout the Plan. On the one hand, they advise it on the best way to implement the corrective measures and, on the other hand, they monitor it to be able to influence the supplier and take action before the stipulated time has elapsed, if it is detected that the plan is not progressing. The competence review that is carried out at the mid-point of the CAP, for the on-site verification of its degree of progress, is particularly relevant to this monitoring.

In addition to our teams, NGOs, trade unions and other civil society organisations can take part in drawing up these plans, which are a good example of Inditex’s philosophy of always supporting suppliers. However, we have a zero tolerance stance towards those which do not make good use of improvement opportunities.

Thus, in 2019, 25 suppliers were rejected for reasons related to breaches of the Code of Conduct. This prevents them from continuing to receive orders from any brands in the Inditex Group.

SUPPLIERS REJECTED IN 2019

GEOGRAPHIC AREA	SUPPLIERS WITH PURCHASES ⁽¹⁾	REJECTED DUE TO A BREACH OF THE CODE OF CONDUCT	REJECTED FOR COMMERCIAL REASONS	SUPPLIERS IN OPERATION AT 31/01/2020
Africa	161	7	1	153
Americas	17	0	5	12
Asia	1,107	4	19	1,084
Europe outside the EU	215	10	1	204
European Union	485	4	5	476
TOTAL	1,985	25	31	1,929

(1) Suppliers of fashion items with production over 20,000 units/year. Suppliers with lower productions account for 0.27% of total production.

Ongoing improvement, advice, and support are key to our relationship with suppliers.

Blocking a supplier or factory is the last resort. Therefore, support from Inditex is not solely limited to implementing CAPs when non-compliances have been demonstrated, but it also includes different actions to prevent them from occurring, proactively seeking the ongoing improvement of the supply chain. Our goal is to enter into an ongoing partnership throughout our relationship with suppliers, and cooperate with them to improve their supply chains and to champion the human and labour rights of their workers.

Our clusters play a key role in strengthening relations with suppliers, since they comprise local professionals with

different skills with who are experts in sustainability , who make up multidisciplinary teams in order to understand and address local realities in the supply chain and support suppliers when addressing global challenges.

Collaboration with suppliers is mirrored in the continuous improvement both of factories and their facilities. This can be seen in the fact that the percentage of A or B-ranked suppliers (the highest degrees of compliance within Inditex’s own methodology) is higher in those that have formed part of our supply chain for longer and, therefore, those with whom we have spent more years undertaking improvement programmes and initiatives.



SUPPLIER TRAINING IN 2019



1,018 SUPPLIERS TRAINED IN GROUP SESSIONS



565 INDIVIDUAL AWARENESS-RAISING MEETINGS WITH 461 SUPPLIERS

CORE SUBJECTS

CODE OF CONDUCT FOR MANUFACTURERS AND SUPPLIERS

INDITEX REQUIREMENTS AND PROCEDURES

SUBJECTS RELATED TO THE PRIORITY IMPACT AREAS AND THEIR VARIOUS INITIATIVES

- / Worker Participation
- / Living Wages
- / Women empowerment
- / Occupational Health and Safety

- / Protection of Migrants
- / Social Protection
- / Protection of labour rights in the production of raw materials

FEATURED CONTRIBUTION

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

TYPES OF TRAINING

- 1

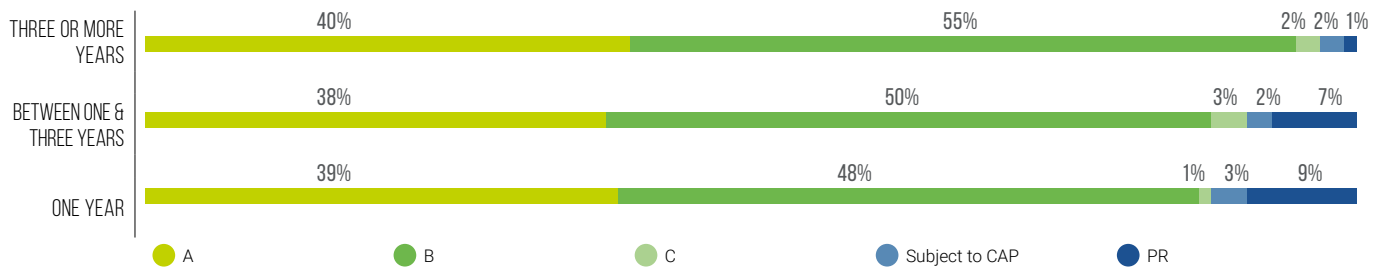
Internal: given by the Inditex teams
- 2

External: given in collaboration with organisations such as:






RANKING OF SUPPLIERS⁽¹⁾ ACCORDING TO THEIR BUSINESS RELATIONSHIP WITH INDITEX (%)



(1) Suppliers of fashion items with production over 20,000 units/year. Suppliers with lower productions account for 0.27% of total production.

We provide advice to suppliers and keep in constant communication with them, to enable them to share our improvement goals and to raise awareness on the fact that upholding and championing the rights and well-being of workers ensures the sustainability of their own supply chains.





Similarly, carrying out a responsible exit strategy of suppliers in the supply chain is one of the commitments in the field of purchasing practices that we have agreed

with members of the ACT initiative. This means that, in the event that – for duly-grounded reasons – we decide to cease operations with a supplier, the relationship will be terminated in a committed manner. In doing so, we carry out a prior accompaniment and monitoring task, in order to attempt to curb the impact this may involve.

 More information about the responsible purchasing commitments and the ACT initiative on page 94 of this Annual Report.



Environmental Management of the Supply Chain

SDG	Goals	Inditex contribution
	6.3	At Inditex we are aware of the impact the textile industry has on water consumption. For this reason, we devote major efforts and resources to ensuring the compliance, improvement and strengthening of the environmental commitments of our supply chain and to achieve Zero Discharge of Hazardous Chemicals (ZDHC Commitment) in 2020.
	9.4	The <i>Ready to Manufacture</i> and <i>Green to Wear</i> programmes ensure compliance with our environmental and product health and safety standards during their production with a reduced consumption of energy, water and chemical products. We have merged these two programmes into the GtW 2.0, enabling us to continue to progress in improving the facilities in the supply chain and achieving our goals within the Greenpeace <i>Clean Factory Approach</i> .
	12.2 12.4	Through the <i>Green to Wear</i> programme, we encourage sustainable environmental behaviour in our supply chain; we foster the best practices in manufacturing; and we encourage efficiency of resources and reducing and correctly managing waste.
	13.1	We are committed to stop climate change and to reducing the impact on natural resources. In pursuit of this goal, we have an environmental sustainability strategy based on quality assurance and improvement throughout our supply chain. Furthermore, in 2019 we became one of the founding members of the <i>Fashion Pact</i> , designed to drive environmental sustainability in the textile and fashion industries, the main lines of action of which include the fight to stop climate change, in addition to other aspects.



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



FACILITIES USED WHEN MANUFACTURING A GARMENT	SPINNING	WEAVING	DYEING	PRINTING	WASHING/FINISHING	SEWING
APPLICATION OF OUR PROGRAMMES	<i>THE LIST, BY INDITEX</i>	<i>THE LIST, BY INDITEX</i>	<i>THE LIST, BY INDITEX</i> RCA GTW 2.0 + (GTW+RTM)	<i>THE LIST, BY INDITEX</i> RCA GTW 2.0 + (GTW+RTM)	<i>THE LIST, BY INDITEX</i> RCA GTW 2.0 + (GTW+RTM)	<i>THE LIST, BY INDITEX</i> PICKING RCA

At Inditex we are committed to stop climate change and to reducing the pressure on natural resources. To do so, we have an environmental sustainability strategy in place based on the control and improvement of quality throughout the production chain, ensuring that all our items meet the exacting health, safety and environmental sustainability standards.

We have also developed the programmes *The List, by Inditex* and *Ready to Manufacture* for the improvement and supervision of chemical products used in the industry

as well as the facilities where the items are manufactured. In both instances, the programmes are trailblazers in gaining a better understanding both of the substances present in production, and the commercial chemical products used in manufacturing.

By implementing them throughout our supply chain and in the chemical industry that manufactures dyes, pigments and ancillary chemicals, we also strive to comply with Greenpeace's *Clean Factory Approach*.

01/ The List, by Inditex

23,373 CHEMICAL PRODUCTS REGULATED IN THE IV EDITION OF THE PROGRAMME

In 2013, we designed and implemented *The List, by Inditex*, a pioneering programme in the textile and leather industry, which seeks to improve, with the involvement of the chemical industry, the quality of the chemical products used when manufacturing items.

The List, by Inditex ensures compliance with the chemical restrictions covered under the product health standard *Clear to Wear* and the commitment of Inditex to achieve the *Zero Discharge of Hazardous Chemicals* in 2020 (also known as *Zero Discharge* or the ZDHC Commitment).

By conducting a thorough assessment of the manufacturers and the chemical substances they use, *The List, by Inditex* classifies the chemical products pursuant to their degree of compliance with the *Clear to Wear* standard and *Zero Discharge*.

Likewise, work is also done to perfect the existing production processes, as this has a direct impact on the improvement of chemical products. Where such an improvement cannot be achieved, R+D programmes are defined to create new chemical products, alternative to the existing ones.

Similarly, we promote the assessment and promotion of chemical products included on *The List, by Inditex* which, as well as being safe, provide advantages in environmental sustainability and water and/or energy savings in the production process. We also strive to boost products that make it possible to extend the useful life of the item or the productivity of the facility that uses them.

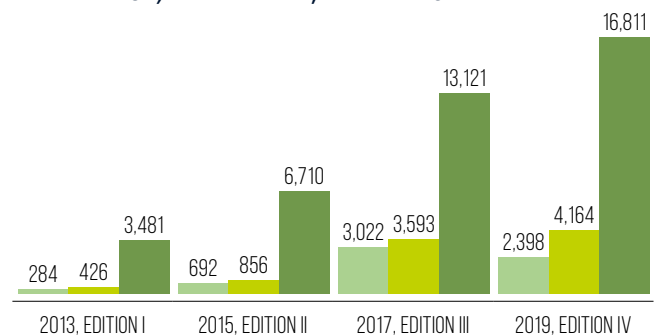
The List, by Inditex in 2019

- We conducted 17,641 analyses, enabling the classification of 27,756 chemical products sold by 26 manufacturers.
- We published the IV Edition of *The List, by Inditex*, available on our [corporate website](#), with a total of 23,373 chemical products classified and sold by 24 manufacturers.
- As a result of our collaboration with the organisation ZDHC (*Zero Discharge of Hazardous Chemicals*), the classification of chemical products laid down by *The List, by Inditex* will be made available on the ZDHC Platform (ZDHC Gateway) in 2020.

Changes in the main indicators of the programme *The List, by Inditex* by published edition:

	1ST EDITION	2ND EDITION	3RD EDITION	4TH EDITION
Manufacturers	10	15	22	24
No. of manufacturer requests (acceptance %)	10 (100 %)	5 (100 %)	78 (13 %)	98 (4 %)
No. of chemical products classified	4,191	8,258	19,736	23,373
No. of analyses	1,774	8,289	34,605	83,257

CHANGES IN THE SUBSTANCES REGULATED BY THE LIST, BY INDITEX, BY EDITION



- **Chemical products "A":** Their use is permitted in Inditex production with no further analysis by the institutions that use them.
- **Chemical products "B":** The use of these products in the Inditex supply chain is subject to further analyses during production, as laid down in the *Ready to Manufacture* code.
- **Chemical products "C":** The use of these chemical products is prohibited in Inditex production.



Our commitment: *Zero Discharge Commitment and implementation of the best wet processes throughout the supply chain in 2020.*

02/ Ready to Manufacture

MORE THAN 800 SUPPLIERS INVOLVED AND 1,373 AUDITS OF WET PROCESS FACILITIES

In 2013 we designed and implemented *Ready to Manufacture* (RtM), a benchmark programme in the textile and leather sector that – through the direct involvement of the supply chain – seeks to improve manufacturing practices at the facilities where the items are produced. In the same way as *The List, by Inditex* in terms of the classification of chemical substances, the goal of *Ready to Manufacture* is to oversee compliance with the *Clear to Wear* standard and *Zero Discharge* in 2020.

RtM includes a code of best practices for the production of textile and leather items, applicable at wet processes facilities (dyeing, washing, printing and tanneries) across the suppliers' production chain. It also has a unit of technological experts who assist with the appropriate implementation of the programme, through recurring training and audits.

Specifically, these audits also serve to verify that the facility correctly selects chemical products. This makes *The List, by Inditex* a tool that is directly linked to the *Ready to Manufacture* code. Since 2015, RtM has achieved an overall improvement of 73% at wet process facilities compared to their initial audit.

During 2019, *Ready to Manufacture* has been merged with our environmental standard *Green to Wear*. As a result, the new standard *Green to Wear 2.0* (GtW 2.0) was created and published on our corporate website, to strengthen the sustainable management of chemical substances in the supply chain and to ensure its commitment within our Sustainability Roadmap.

 More information about *Green to Wear 2.0* and *Ready to Manufacture* on pages 148 and 149 of this Annual Report.

In 2019, and using the previous methodology, a total of 1,373 audits¹ have been conducted on wet process facilities associated with 844 suppliers.

 More information about the *Ready to Manufacture* audits by process type and geographic location in the Annex on Model Sustainability Indicators, on pages 322 and 323 of this Annual Report.

03/ Water management throughout the supply chain

At Inditex we are aware of the impact the textile industry has on water consumption. Our supply chain uses water in the farming of cotton and other fibres, as well as in the wet processes to manufacture garments (washing, dyeing, and printing). Therefore, we devote major efforts to guaranteeing the compliance, improvement and strengthening of the environmental commitments of our supply chain.

03.01/ Commitment to Zero Discharge: *Green to Wear*

The axis of water management in our supply chain is our own standard *Green to Wear*, with which we are progressing in our ZDHC Commitment for 2020. This standard seeks to reduce the environmental impact of textile production and to improve the health and safety of the items and the workers on the supply chain involved in their production.

The wet process facilities we work with, are assessed according to the *Green to Wear* standard, which includes indicators that assess the sustainable and efficient management in areas such as raw materials, water, technology and processes, chemical products, waste and wastewater. Since its launch in 2014, 1,776 environmental assessments have been performed.

These assessments give rise to improvement actions, boosting the progress of the environmental management of these production facilities and enhancing environmental sustainability. In this way, during 2019, 136 corrective plans have been successfully assessed at our suppliers' plants. Along these lines, and in pursuit of greater transparency, we have made available to the public at large, through our [corporate website](#), the list of factories that carry out wet processes and which form part of our supply chain.

The merger in 2019 of *Ready to Manufacture* and *Green to Wear*, the two core programmes in the sustainable management of wet process facilities, has enabled us to launch the standard *Green to Wear 2.0* (GtW 2.0) at the start of 2020. The new standard, also available on our [corporate website](#), enables a more comprehensive control of the

(1) The difference in audits compared to the previous year is due to the change of strategy – addition of the Ready to Manufacture audits to the Green to Wear standard. This means that the programme was only in force in the first eight months of 2019.

facilities in the supply chain and compliance with the goals linked to Greenpeace's [Clean Factory Approach](#).

 More information about *Green to Wear 2.0* and *Ready to Manufacture* on pages 148 and 149 of this Annual Report.

In parallel, and to ensure our ZDHC Commitment has the maximum guarantees as regards the responsible use of chemical substances, in 2016, we launched a multidisciplinary applied research programme in partnership with academic institutions and research centres of international standing. The goal is to develop tools and techniques that ensure that hazardous substances in the textile and leather industry are eradicated.

Significant progress has been made in 2019 – within the framework of this initiative – to create the first inventory of chemical substances of the textile and leather industry, benchmarking has been completed, and the existing scientific literature has been integrated in order to determine the risk of the identified chemical substances. Experimental measurements and computational methods have also been developed, making it possible to identify the risks not set out in the scientific literature.

Our commitment to *Zero Discharge* has also been backed by Greenpeace, which deems us to be *leaders* in its *Detox Catwalk*, the assessment used by the organisation to measure the compliance of the commitments of textile brands with its campaign *Detox 2020*. The latest edition of its *Destination Zero* report, published in 2018, recognises us as “leaders in this paradigm shift” and highlights that “Inditex has taken tangible steps to meet its *Detox* commitment, having already eliminated PFCs from all its clothing, footwear and accessories and informing its

suppliers of its intention to eliminate APEOs and phthalates from its global supply chain”.

Collaboration with ZDHC and the Chinese Institute of Public and Environmental Affairs (IPE)

Beyond compliance with the *Zero Discharge* commitment, we partner with ZDHC (its promoting organisation) supporting initiatives such as the ZDHC Platform, to help our suppliers to disclose the results of wastewater analyses obtained from environmental assessments of wet processes of the *Green to Wear* standard.

Our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE) in the improvement of environmental management in the Asian country's supply chain and the publication of the results of wastewater analyses on its website is also very important. In 2019 we included over 150 textile suppliers in the IPE green supply chain roadmap, where the environmental data of the facilities are made public in real time. These actions have resulted in us being among the *top 5* (out of a total of 438 brands) in its *Corporate Information Transparency Index* (CITI).

In addition, we have invested more effort in the environmental management of the supply chain beyond textile facilities, having included upstream suppliers such as chemical product suppliers and centralised effluent treatment plants.

As well as the aforementioned commitments regarding transparency, we have a *PFC Free Policy* in place that all our suppliers must observe and which requires these compounds to be eliminated from our garments.



Product Health and Safety



SDG	Goals	Inditex contribution
	3.9	Inditex's commitment to product excellence is embodied in our health and safety standards, which are constantly evolving to reach demanding levels of requirements that are ever-increasing. During 2019, we continued to review all our standards of garments, footwear and accessories, <i>Clear to Wear</i> and <i>Safe to Wear</i> , as well as our I+ standards (IPLUS: <i>Inditex Precautions and Limits for Users' Safety</i>) for cosmetics and items that come into contact with food. Moreover, we published two new standards: <i>Childcare furniture</i> and <i>Home fragrances and candles</i> .
	12.4	To ensure that all our products comply with the most demanding standards of health, safety and environmental sustainability, we have developed a comprehensive control and improvement programme that covers all production phases, with which compliance is mandatory for our entire supply chain. Moreover, we have our own Restricted Substances List for Manufacturing (RSLM), which is applicable to all product manufacturing in which chemical substances subject to specific restrictions or to prohibition of use are specified.

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

Inditex has in place the most exacting product health and safety standards, which are mandatory and which apply to all the goods¹ we sell, and are a benchmark for manufacturing practices of all the suppliers across our supply chain.

Likewise, and in partnership with technology companies, research centres and international laboratories of reference, we verify the appropriate implementation of our standards using own and innovative programmes that include:

- The analysis of both the goods and the chemical products used in the production thereof.
- Conducting recurrent audits both at the facilities involved in manufacturing the goods, and at the factories that produce the chemical products used to produce our goods.

This requirement for our products is also applicable to the chemical industry, responsible for producing dyes, pigments and ancillary chemicals used in the textile and leather industries within *The List, by Inditex Programme*.

The demanding level of requirements for our products also extends to the chemical industry, which is responsible for producing dyes, pigments and ancillary chemicals used in the textile industry.

(1) With regard to items outside the scope of the product health and safety standards of Inditex, they are subject to minimum requirements reports. Reports are especially created pursuant to the statutory requirements which apply to the type of product and the markets where they are sold.

Thus, and based on the premise of working towards the excellence of our products, Inditex has a team of scientists and technology experts that monitors any novelties and revisions related to regulations on health and safety. It is also in charge of identifying the chemical substances used in the industry and evaluating every manufacturing process of our products. This effort ensures that items meet the highest levels of health and safety, regardless of the specific regulations and legislation that may apply in each market.

As a result of this process, we have succeeded in going beyond the Restricted Substances List for use in the textile industry in the preparation of our product standards. We have contributed our additional knowledge, which identifies regulated substances and controls manufacturing processes, while at the same time we have proposed the use of alternative technologies to prevent *non-conformities*. This knowledge is a highly useful point of reference for our manufacturers and for the industry as a whole with respect to ensuring the health and safety of production.

01/ Our Health and Safety Standards

During the 2019 financial year, we reviewed all our health and safety standards for garments, footwear and accessories, *Clear to Wear* and *Safe to Wear*, as well as our I+ standards (IPLUS: *Inditex Precautions and Limits for Users' Safety*) for cosmetics and items that come into contact with food.

Our *Clear to Wear* (CtW) product health standard has expanded its scope to cover not only the substances included in international regulations but also those that,

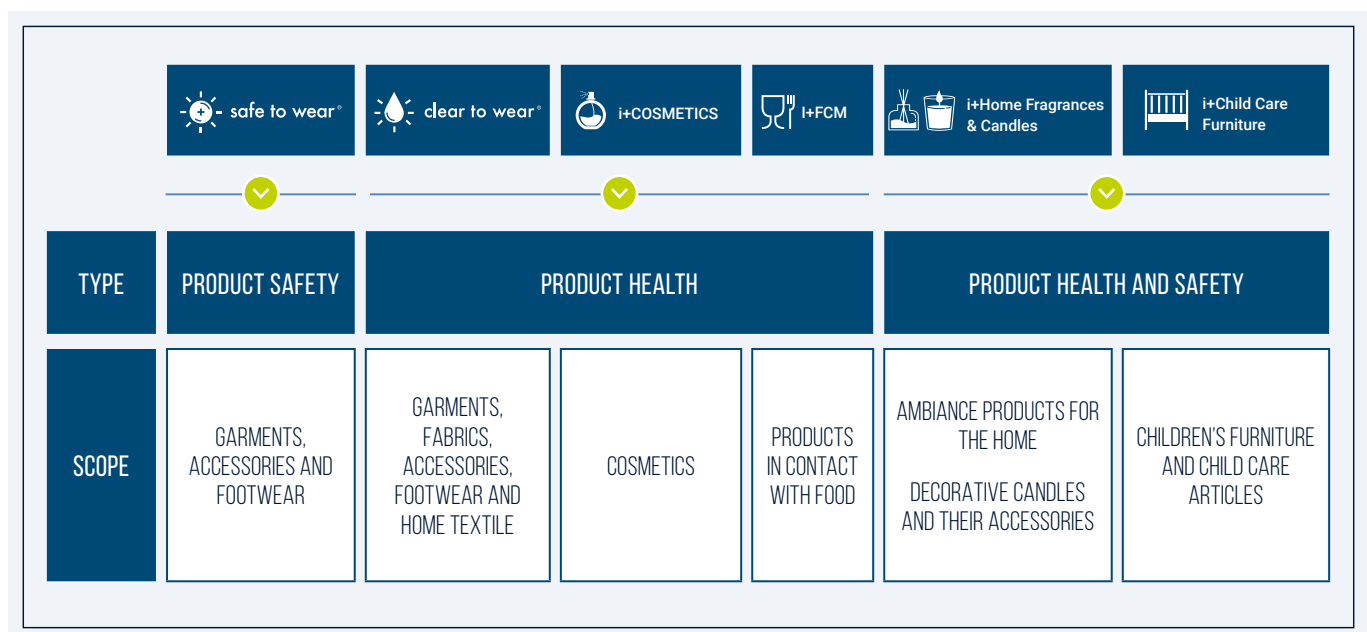
even though there is no specific regulation, have a direct impact on the environment and health. This expansion is in line with the commitments established by our Sustainability Roadmap, and it will be applicable in the 2020 financial year.

At the same time, we continue to work on our standard, *Safe to Wear* (StW), thereby updating it according to new legal requirements and increasing its scope to the new types of articles that we market for children. The I+FCM and I+Cosmetics standards, which in 2020 will have a second version, have also been aligned with the latest regulatory novelties.

Finally, and within our strategy over the last five years of creating and developing the I+ standards (IPLUS: *Inditex Precautions and Limits for Users' Safety*) for all types of products that we market, the first versions of the I+Home Fragrance & Candles and I+Child Care Furniture standards have been published, which will be implemented in 2020.

Likewise, for our environmental commitments, particularly the ZDHC (*Zero Discharge of Hazardous Chemicals*) Commitment in 2020, we have our own *Restricted Substances List for Manufacturing* (RSLM). Our RSLM, available on our [corporate website](#) and applicable to all manufacturing processes of our products, specifies the chemical substances that are subject to specific restrictions or whose use is prohibited.

With the information generated in our control programmes and in the processes of updating our standards, we can identify new substances that are used in the textile and leather industry and can continuously evaluate their safety. Thus, if we identify a new substance that has a direct impact on the environment or on health, we integrate it in our RSLM and in our product standards. In 2019, we updated this RSLM, which includes over 750 substances.



Safe to Wear

Safe to Wear (StW) is our product safety standard, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied. It has been developed in partnership with international safety experts in clothing for children, in accordance with the most demanding laws and regulations in the field.

In addition to covering the design, the fastening degree of small parts, sharp points and sharp edges in clothing for children, the standard restricts parameters such as flammability in goods for both children and adults. In 2019, its third version was strengthened, and significant advances were made in updating it.

Clear to Wear

Clear to Wear (CtW) is our product health standard, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied. It has been developed by scientific and technological advisers, research centres and academic institutions, pursuant to the most demanding laws and regulations regarding health of the product.

In addition to regulating parameters and substances whose use is legally limited, *Clear to Wear* restricts the use of substances that, while they are not contemplated in legislation in force, could compromise health. It also includes REACH (legislation of the European Union that regulates the *Registration, Evaluation, Authorisation and Restriction of Chemicals*). Compliance with this EU regulation is mandatory for our suppliers. In 2019, its fourth version was strengthened, and progress on updating it continued, with which compliance will be mandatory in 2020.

I+Cosmetics

This is our product health standard, which applies and is mandatory for all our cosmetic products. I+Cosmetics, has been developed in partnership with scientific and technological advisers, research centres and academic institutions, according to the most demanding laws and regulations on health of the product in the cosmetics

sector. In addition to covering parameters and substances whose use is restricted by law, it limits the maximum level of impurities allowed in starting materials.

In 2019, its first version was strengthened, and progress continued on mandatory compliance by 2020.

I+FCM

In addition to covering parameters and substances whose use is restricted by law for all types of materials used in goods in contact with food. And it was drafted in accordance with the most demanding food health and safety regulations.

In addition to covering parameters and substances which use is restricted by law for all types of materials used in goods in contact with food (polymer, rubber, crockery, glass, metal, paper, or wood, among others) it restricts the transmission in ordinary or foreseeable use conditions, of chemicals comprising the goods to the food they are in contact with. In 2019, the implementation of its first version was strengthened, and progress on updating it continued, with which compliance will be mandatory in 2020.

I+Home Fragrance & Candles

This is our product health and safety standard that is applicable to candles, incense and other ambiance products for the home. It regulates health parameters and substances whose use is legally limited. As with all other standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health. Its first version was published in 2019.

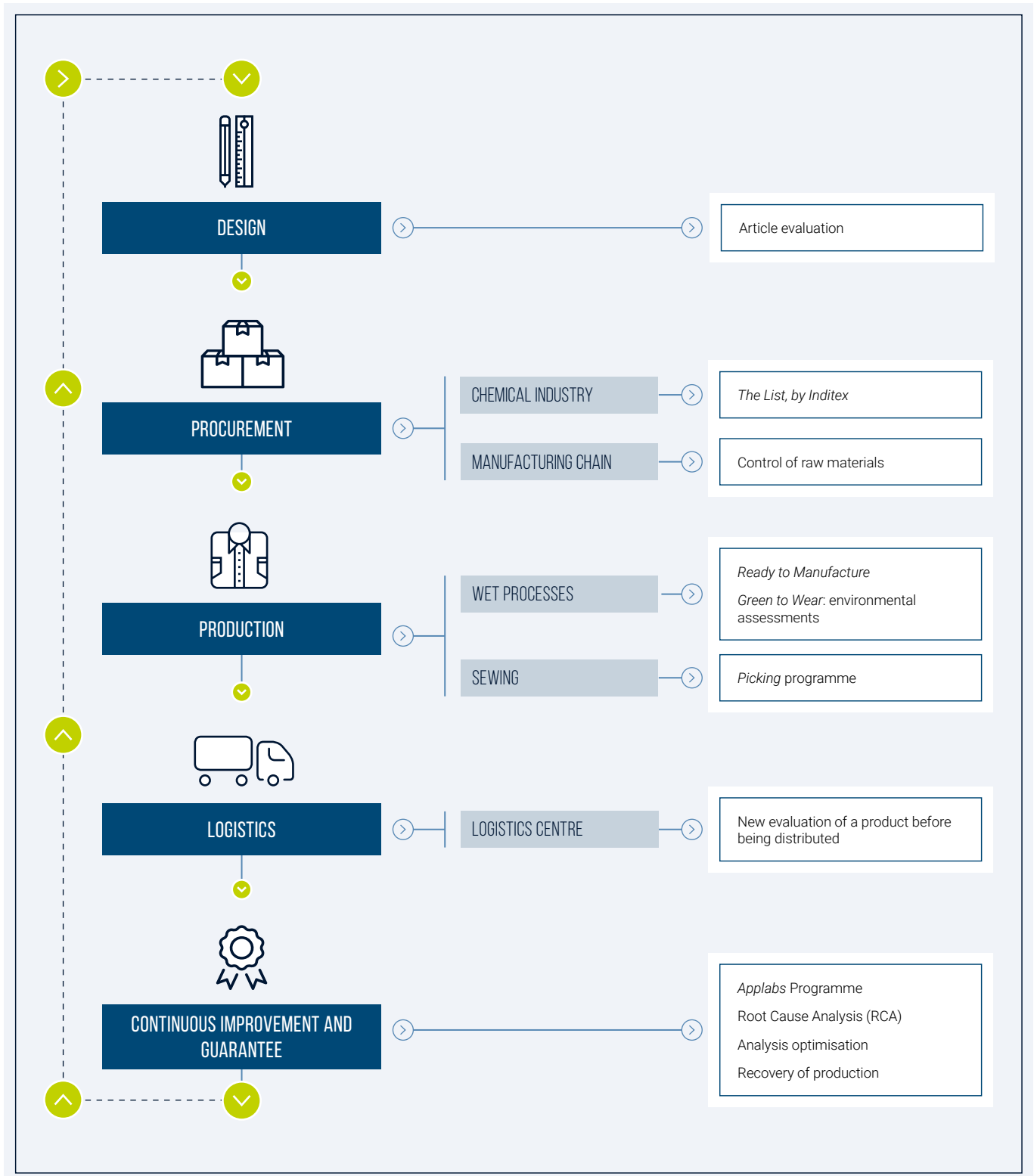
I+Child Care Furniture

This is the Inditex product health and safety standard that is applicable to childcare articles such as changing tables, high chairs and cribs. It regulates health parameters and substances whose use is legally limited. As with all other standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health. The first version of the standard was published in 2019.

During 2019, we reviewed all our health and safety standards of garments, footwear and accessories, Clear to Wear and Safe to Wear, as well as our I+ standards (IPLUS) for cosmetics and items that come into contact with food.

02/ Health and safety control procedures

Inditex's collections are present in 202 markets. To ensure that all our products comply with the most demanding standards of health, safety and environmental sustainability, we have developed a comprehensive control and improvement programme that covers all production phases and with which compliance is mandatory for our entire supply chain.



i More information about the *Green to Wear* and *Ready to Manufacture* standards and about *The List, by Inditex* programme in the Environmental Management section of the supply chain, on pages 148 y 149 of this Annual Report.



02.01/ Picking programme



OVER 890,000 ANALYSES AND TESTS AND OVER 56,000 INSPECTIONS OF OUR MANUFACTURERS

In 2011, we designed and implemented, *Picking*, a control and analysis programme which seeks the effective identification of *nonconforming* finished items during the production process, with the involvement of scientific and technological advisers and the support of benchmark international suppliers of analytical services.

Specifically, *Picking* is our benchmark instrument because it is constantly adapting to our production and logistics model. It thus guarantees that all the items we market comply with our health and safety standards.

02.01.01/ Design and manufacturing stage

In the design stage, units of experts on product health and safety of each one of our brands assess the risk of items. In the manufacturing phase, outside inspectors take representative samples of the on-site production of all risk items, on which laboratories conduct analyses and tests.

A detailed evaluation of such samples determines whether the product is approved, rejected, or requires recovery processes to be compliant with Inditex standards. In 2019, 56,352 inspections were conducted, in which 899,046 analyses and tests were executed.



More information on the level of compliance of our products by geographic area of manufacturing in the Annex on Sustainability Indicators, on pages 322 and 323 of this Annual Report.

The laboratories that provide support for the programme, distributed in different clusters of suppliers, are relevant players in the *Picking Programme*. Their work is therefore standardised, with innovative and optimised analytical methods that are subject to strict follow-up on the quality of their results and on the service they provide.

Having control instruments that quickly and accurately establish the conformity of our standards is a constant challenge for Inditex. Therefore and to supplement the *Picking Programme*, we have implemented so-called *Minilabs*, portable laboratories the size of a carry-on luggage case, which allow conducting *screening tests* of six substances and parameters regulated in the *Clear to Wear* standard at any given time.

Thanks to the *Minilabs*, we have conducted testing at the factories themselves, thereby improving the efficiency of our control systems. In 2019, a total of 2,977 *Picking* inspections were performed with *Minilabs*, which involved 36,929 analyses and *screening tests*. In addition to this and in order to expand the coverage of this system, we want to expand the scope to all manufacturing countries.

In accordance with *Picking*, we can make decisions there and then, such as the possibility of recovering and *saving* any affected production before being delivered. It is also important to raise supplier awareness, given that the analyses are conducted in their presence and at their own facilities.



In addition, in 2019 we began collaborating with the *Massachusetts Institute of Technology* (MIT) to identify and evaluate points of improvement within this control programme.

02.02/ New evaluation of a product before being distributed

With the design and production concluded, all items are sent from manufacturing countries to our distribution centres. This is when our health and safety technicians evaluate the products, supervise the results of all the analyses performed and conduct product safety inspections, especially on small parts, shoelaces and strings.

In addition, we conduct random verification analyses of the productions we receive at distribution centres, for which we also use our internal laboratories and the analytical support network of the *Picking Programme*.

If design modifications or incidents in the initial risk evaluation of the production are detected, then any additional analyses and corrections that are needed are performed at that time to guarantee compliance with Inditex's standards.

02.03/ Laboratory Approval Programme (APPLABS)

13 AUDITS OF EXTERNAL LABORATORIES AND 7,763 ANALYSES OF SAMPLES

To establish if a production complies with our standards, we rely on testing by external laboratories. And given the production model and the strict limits of our standards, we seek maximum reproducibility, accuracy and precision.

Confidence in these laboratories is cemented in an external laboratory approval programme called *Applabs*. It was designed and developed together with the University of Santiago de Compostela and has several stages:

- Conducting on-site audits that verify, among other aspects, the technical competency of the laboratory's personnel and their diligence with the analyses.
- Monitoring of the results of each laboratory by comparing them. Those whose results deviate from the quality levels we demand are submitted to corrective actions; and if these actions are not passed, the laboratory is excluded from the Group's laboratory network.
- The creation of mixed technical committees for discussing matters such as the detected problems, any optimisation actions or the introduction of new analysis methods, among others.

In 2019, a total of 13 on-site audits were conducted of external laboratories, in addition to 30 comparison exercises, which involved analysing 7,763 samples.



02.04/ Root Cause Analysis (RCA)

27 RCA AUDITS

Whenever an item does not comply with *Clear to Wear* requirements, Inditex conducts a *Root Cause Analysis* (RCA) to understand what has happened and to study new improvement strategies.

In such RCAs, textile or leather experts evaluate the facilities (dyeing, washing, printing and tanneries) that are involved in manufacturing the affected item to determine that origin of the problem. After the problem has been identified, a corrective action plan (CAP) is established for the factory, thereby avoiding future incidents and at the same time verifying implementation of the *Ready to Manufacture* programme.

In 2019, 27 RCA audits were conducted. The results showed that in 89% of the cases the supplier, in their manufacturing, had used chemical products not permitted by *The List, by Inditex* and/or had not applied adequate controls to these products prior to manufacturing. The cross-contamination between different productions that did not follow adequate manufacturing conditions caused the remaining 11% of the detected problems.

Additionally, other sources of non-conformity are the use of fabrics with the presence of restricted substances resulting from prior processing stages, or inconclusive audits. This information allows us to enrich and provide feedback to our *Ready to Manufacture*, *Green to Wear* and *The List, by Inditex* programmes, thereby ensuring the continuous improvement of those programmes.

02.05/ Analysis optimisation

Within the framework of *Picking*, Inditex is collaborating with specialised researchers in the textile industry on the development of prediction tools for manufacturing technologies with a greater risk of generating *non-conformities*.

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

02.06/ Recovery of non-compliant production

In order to be able to reduce productions that are discarded due to *non-conformities* with our standards, we work with our scientific and technology partners on recovering productions by eliminating the substances that are the causes of *non-conformities*. Due to this collaboration, we have implemented production recovery protocols for cases in which substances such as arylamines, phenols, formaldehyde and phthalates are present, as well as protocols for perfecting pH that is too high or low.

Once the article recovery process has ended, all the generated waste is duly processed at waste management centres for the correct elimination thereof and isolation from the environment.

In order to be able to reduce productions that are discarded due to non-conformities with our standards, we work with our scientific and technology partners on recovering such productions by eliminating the substances that are the causes of non-conformities. Once the recovery process has ended, all the generated waste is duly processed for the elimination thereof and isolation from the environment.



03/ Training and Awareness-raising

The Group relies on scientific teams and technology experts who identify regulatory developments, construe the restrictions thereof, select analytical methodologies and carry out in partnership with the chemical industry, a thorough evaluation of chemical products and manufacturing processes where *non-conformities* might appear.

As part of this careful process, the design of our standards goes beyond the limitations of a classic Restricted Substances List (RSL), bringing in additional expertise that allows us first to identify hazardous chemicals and manufacturing processes and secondly, to propose alternative products or manufacturing technologies to avoid *non-conformities*. This information is very helpful for our manufacturers and is a key strategic element of the training and information actions across our supply chain.

Thus, we regularly give training on specific and relevant elements of the health and safety standards addressed to technical and managerial staff of suppliers. In 2019, experts on product health and safety from our Sustainability Department provided training and gave technical advice

in the main clusters: Portugal, Morocco, Turkey, China, Bangladesh, India and Pakistan.

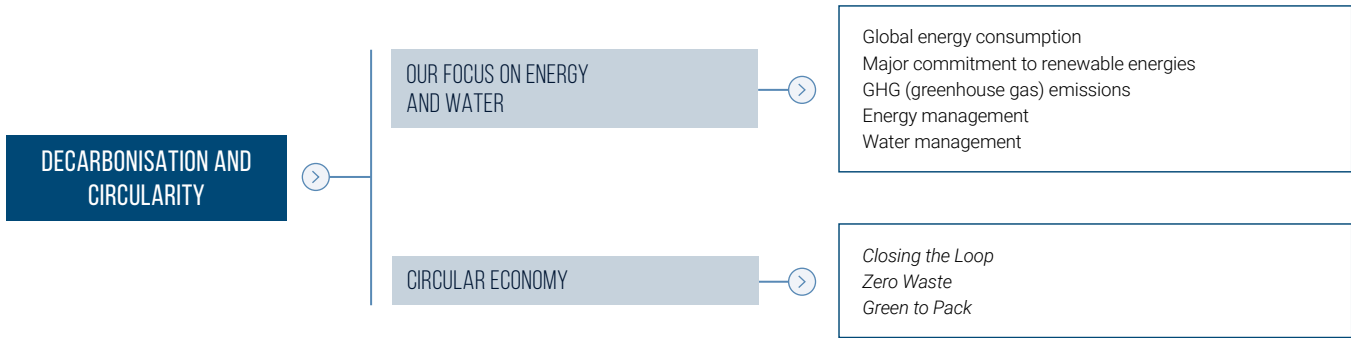
At the same time, regarding awareness-raising among internal design and buyers teams, we have reinforced the department of product health and safety across all our brands for the purposes of:

- Giving ongoing training to commercial and design teams on product health and safety issues.
- Providing technical assistance onsite to commercial and design teams.
- Cutting the time required to detect potential breaches and providing solutions best suited to the specific type of product.

Refreshment training is provided to these units of experts in partnership with academic institutions and scientific and technology companies.

In 2019, 13 training sessions were provided to 139 attendees from internal groups of design, procurement and the department of product health and safety itself (21 training sessions and 250 attendees in 2018, respectively).

Decarbonisation and circularity



SDG	Goals	Inditex contribution
	6.4	The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards a sustainable and rational water management. Our bases for water management follow the principles included in the initiative, <i>CEO Water Mandate</i> , promoted by the United Nations Global Compact.
	7.3	The Global Energy Strategy is one of the cornerstones of our commitment to environmental sustainability for promoting the rational and efficient use of energy throughout the entire value chain, while at the same time reducing GHG emissions and helping to mitigate the risks associated with climate change.
	9.4	Eco-efficiency is a priority at all facilities of the Group, and therefore major investments are being made in this area. Moreover, in order to ensure that our facilities meet the most cutting-edge requirements in terms of sustainable construction, since 2009 we have been certifying our more emblematic facilities under the most prestigious standards in sustainable construction: LEED and Breeam.
	12.2 12.5	Our <i>Closing the Loop</i> programme is helping us to close the production circle of our garments through the installation of collection containers. Moreover, we are working towards the goal of ensuring that, by 2023 and by integrating the circular economy concept in our business model, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.
	13.1	At Inditex we support the fight against climate change and we strongly support energy efficiency and the use of certified energy from renewable sources. Our work within the scope of decarbonisation of the entire value chain is closely related to the actions we undertake to reduce energy consumption, to reuse water and to recycle the materials generated in our own operations.

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

At Inditex, we understand that advancing in a sustainable business model means being more efficient with the resources we use. Given that half of the total greenhouse gases (GHG) and over 90% of the loss of biodiversity and of water stress are due to the extraction and transformation of resources, we continue to advance in our strategy to

reach an economy that is climate-neutral, efficient in the use of resources and competitive.

Our three strategies on environmental topics (Energy, Water and Biodiversity) articulate the efforts we make to attain environmental excellence.

Our work within the scope of decarbonisation of the entire value chain is closely related to the actions we are undertaking to reduce energy consumption, to reuse water and to recycle the materials generated in our own operations. The reduction of our energy consumption and of carbon emissions helps to reduce global warming and its effects on biodiversity. Circularity is an important tool for advancing towards decarbonisation.

We are committed to integrated improvement in managing the material needs of our products and industrial processes. The objective is to transform the concept of

waste so that it is considered a valuable resource that can be recovered and reintroduced as a raw material in production systems. In addition, and applying eco-design techniques, it is possible to not only extend the useful life of products and materials, but also maximise their recycling possibilities, consequently attacking the generation of waste at its origin.

This change of paradigm, which generically is called the “Circular Economy”, is evident at Inditex through the various global initiatives on closing the life cycle of our garments and of the materials we use in our activity.



In 2019 we became one of the founding members of the *Fashion Pact*, designed to drive environmental sustainability in the textile and fashion industries, mainly geared to stop climate change, protect the oceans and conserve biodiversity. Moreover, the pact encourages the participation of member companies in other complementary industry initiatives, supporting the development of accelerators to help achieve the challenges ahead.

As a signatory Company, we are committed to working within the framework of the *Science-Based Targets* (SBT) initiative, which establishes reduction targets based on scientific research, and whose strategy can be summarised into three aspects that are essential for the protection of the planet:

- **Stop climate change:** focusing its actions to achieve zero net GHG emissions by 2050, seeking to control global warming below 2°C.
- **Restore biodiversity:** development and application of SBT goals to protect and restore ecosystems, as well as the implementation of specific actions in the supply chain such as the elimination of raw materials whose extraction requires intensive and high impact consumption.
- **Protect the oceans:** some of the measures laid out are the elimination of single use plastic by 2030 and the development of research on microplastic to be carried out along with the valuable work already carried out by other initiatives also supported by Inditex, such as the Ellen MacArthur Foundation, Sustainable Apparel Coalition, Textile Exchange, the United Nations Framework Convention on Climate Change, *Better Work* and *Zero Discharge of Hazardous Chemicals* (ZDHC).

The *Fashion Pact* is aligned with another commitment undertaken by the Group in December 2018, known as *Fashion Industry Charter for Climate Action*, under the auspices of the UN Climate Change Office. To achieve specific progress in this commitment, six working groups were set up to enable the signatories to define the steps to be taken, as well as the establishment of an initial target to cut GHG emissions by 30% by 2030 and other specific measures such as the gradual elimination of coal boilers and other carbon sources to generate heat and electricity at their own companies and direct suppliers.



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

In favour of transparency and of disseminating relevant environmental and social information, Inditex has fostered the creation of the Brand and Retail Module (BRM) in

the Sustainable Apparel Coalition (SAC). The drafting of the BRM ended after several years of collaborative work with different members from the SAC and from other organisations, and it's already available to any brand or retailer. The objective of the BRM is to evaluate the level of maturity of companies in environmental and social management and to drive improvement by drawing up a roadmap towards the best available practices in areas such as the use of raw materials, suppliers, manufacturing, distribution centres, transport, stores or containers and packaging.

Our focus on energy and water

Energy is a critical component of the fashion distribution business (in both its direct and indirect operations), and the efficient and low-impact use of energy is essential for our approach to sustainability. At Inditex we support the fight against climate change and we strongly support energy efficiency and the use of certified energy from renewable sources. Hence our commitment to actively contribute to the protection of the environment by reducing our environmental impact on water and making changes that help our planet to remain under the global warming limit established in the Paris Climate Agreement.

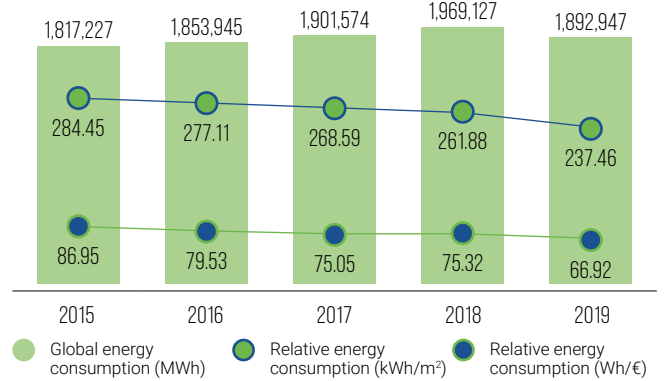
The Global Energy Strategy is one of the cornerstones of our commitment to environmental sustainability for promoting the rational and efficient use of energy throughout the entire value chain, while at the same time reducing GHG emissions and helping to mitigate the risks associated with climate change – for example, the availability and price of cotton, one of the essential raw materials.

Since the early 90s we have been developing our own systems for improving energy consumption and reducing GHG emissions. Since then, our commitment in this area has grown exponentially, as has our activity. We continued to advance in 2019, achieving a 35% reduction per m² in emissions pertaining to scopes 1 & 2 and promoting energies coming from clean sources: 63% of our global electricity consumption in 2019.

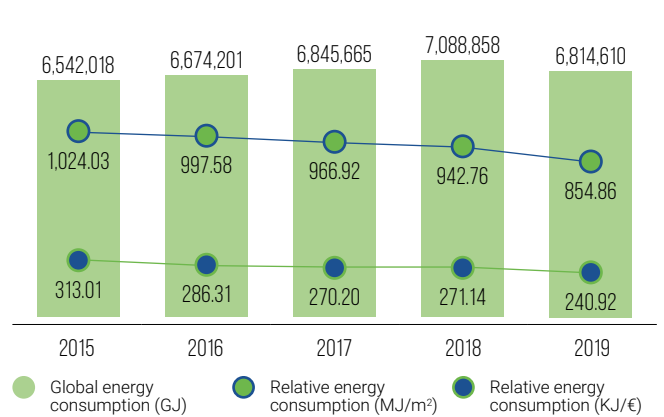
This commitment in the fight against climate change has been recognised for the third consecutive year as being in the 'Leadership A-' category in the CDP Climate Change index. This list integrates companies that comply with the maximum criteria of the Carbon Disclosure Project regarding strategy, objectives and actions related to the risks and opportunities of climate change.

01/ Global energy consumption

GLOBAL ENERGY CONSUMPTION (MWh) (*)



GLOBAL ENERGY CONSUMPTION (GJ) (*)



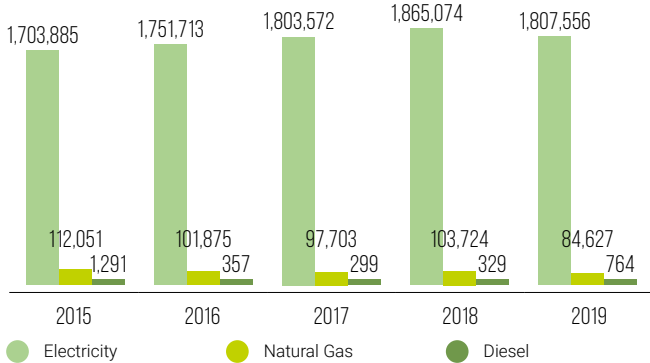
(*) This indicator records all the energy consumed at our Group's own factories, headquarters, logistics centres and own stores. The surface areas of the logistics centres, headquarters and own factories have been updated.

In 2019, we succeeded in reducing our energy consumption by 9% per square metre and reducing electricity consumption by 9% per square metre at corporate headquarters, logistics centres and our own stores and factories. This was possible due to the measures implemented to improve our energy efficiency.

Our commitment: 80% of consumption from renewable sources in all our facilities (headquarters, logistics and stores) by 2025.



GLOBAL ENERGY CONSUMPTION (MWH)

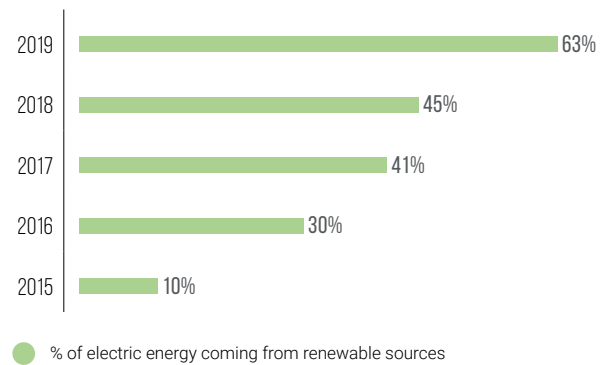


The energy used comes mainly from the supply network and, to a lesser extent, from the consumption of natural gas and diesel. The increase in diesel consumption is due mainly to filling the tanks of the electric generator units for opening of the Lelystad logistics centre.

02/ Major commitment to renewable energies

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

PERCENTAGE OF ELECTRIC ENERGY COMING FROM RENEWABLE SOURCES (*)



(*) In the case of Spain, China, Italy and Portugal, the period for the data is the calendar year, instead of the tax year (time period of this statement).

In 2019, 63% of the Group's electricity needs were covered by clean energy. This represents a total sustainable energy consumption of 1,144,020 MWh in our facilities located in Spain, Germany, Austria, Belgium, Brazil, China, South Korea, United States, France, Greece, India, Italy, Netherlands, Ireland, Luxembourg, Norway, Poland, Portugal, United Kingdom, Switzerland and Turkey, thus avoiding the emission of over 415,474 tons¹ of GHG emissions.

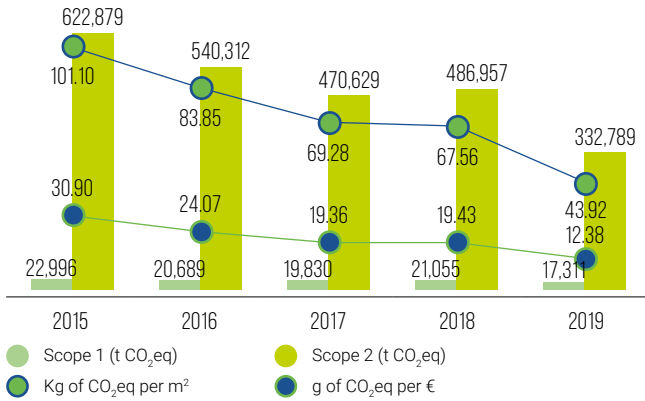
We also have co-generation plants, which enable the simultaneous production of heat and energy using low-carbon fuel. During 2019 a total of 7,785 MWh of electrical energy and 11,002 MWh of thermal energy were generated by these plants. In addition, in 2019 a total of 577 MWh of thermal energy has been generated from renewable installations using geothermics and solar panels.

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

03/ GHG emissions

All the actions as a whole that have been implemented to foster energy efficiency, together with the materialisation of our commitment to renewable energies, has allowed us to achieve a 35% reduction per m² in emissions related to scopes 1 and 2 (achieving 43.92 kilograms of CO₂eq per square metre).

EMISSIONS OF GHG OF SCOPES 1 AND 2 (T CO₂ EQ) (*)



(*) 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. Due to the emission factors used, the data provided match the data calculated according to the located-based method. The surface areas of the logistics centres, headquarters and own factories have been updated.

Scope 1: Direct emissions. These are GHG emissions associated with stores that are under the direct control of the Inditex Group.

Scope 2: Indirect emissions. They are associated with the generation of electricity acquired by the Inditex Group.

Scope 3: An additional scope that includes the indirect emissions associated with the production chain of goods and services produced outside the organisation.

During 2019, we continued to improve the system for capturing and calculating indicators, thereby allowing us to expand the reporting of our calculation of scope 3 emissions. The preceding graph shows the breakdown of our GHG emissions based on the categories established by the GHG Protocol.

For the purpose of achieving 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 finished product assembly.

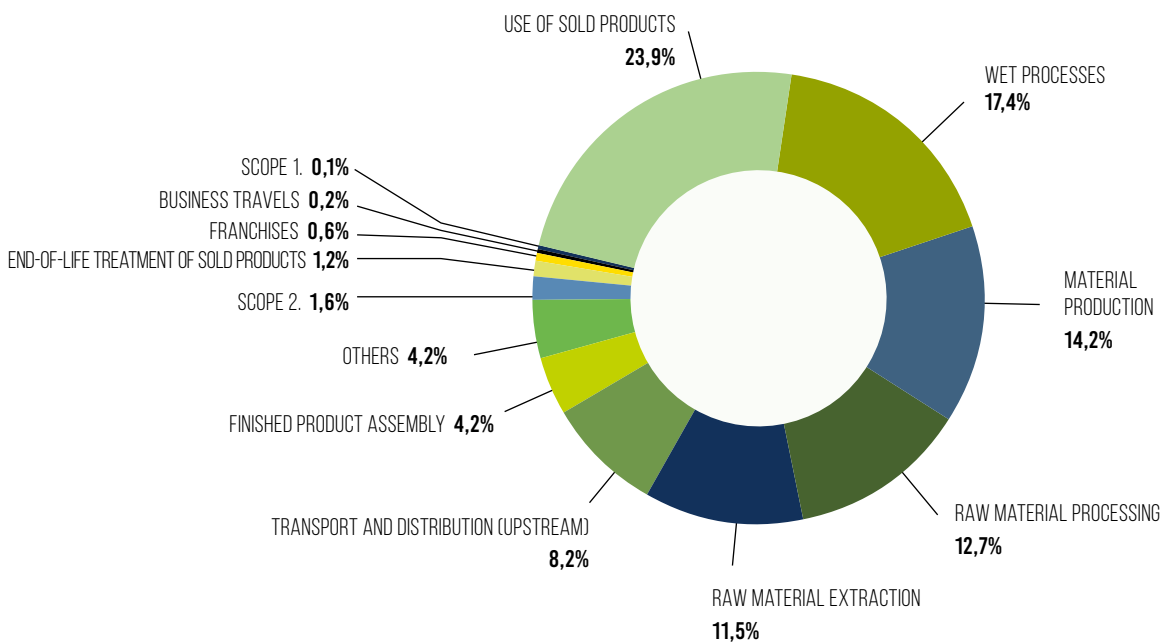
The *use of sold products* category includes the emissions coming from the use that a customer makes of our products, thereby considering the different washing and drying patterns.

The *others* category includes the emissions associated with *capital goods, employee commuting, fuel and energy/related activities and waste generated in operations*.



EMISSIONS OF GREENHOUSE GASES (GHG)

OVERALL TOTAL: 20,530 KT CO₂EQ



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

04/ Energy Management

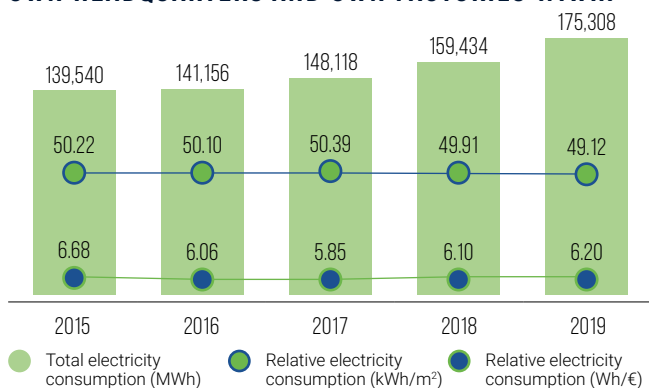
04.01/ Energy management at logistics centres, own factories and offices

Eco-efficiency is a priority in all Group facilities; therefore, significant investments are being made in this area in order to meet the standards set out in the Instruction for Proper Environmental Management for the logistics centres, thus ensuring that all our facilities and platforms are eco-efficient. The daily management of eco-efficiency promotes good practices between our employees, which allows obtaining control of the consumption of resources and applying measures to reduce that consumption.



Thanks to these practices, we've reached a 2% reduction in consumption related to electric energy per square metre in comparison with 2018. Some of the notable measures applied include the renovation of old equipment, the replacement of fluorescent light fixtures with high-efficiency LED bulbs and the use of lithium-ion batteries, thereby reducing energy requirements.

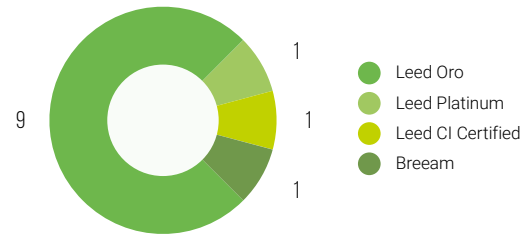
ELECTRIC ENERGY CONSUMPTION AT OWN LOGISTICS CENTRES, OWN HEADQUARTERS AND OWN FACTORIES (MWh)*



(*): The surface areas of the logistics centres, headquarters and own factories have been updated.

The increase in electricity consumption in absolute terms is due to the coming into operation of the new Logistics Connection Point in Lelystad (Netherlands), in addition to the construction of Zara's new online studios in Arteixo (Spain).

LEED AND BREEAM CERTIFICATIONS IN DISTRIBUTION CENTRES AND FACILITIES



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

The LEED certification has been secured for the Inditex central services (Phase I, II, III) and the LEED Gold has been granted for the new Central Services headquarters. The Zara Logistics offices have also been LEED Gold certified. Meanwhile, the Inditex Data Processing Centre in Arteixo has obtained the LEED Platinum standard and, in addition, in 2019 and 2018 it maintained its ISO 50001 standard, certifying its energy management and more sustainable and efficient energy use.

The commitment to clean energy and the implementation of circular management models in our headquarters and logistics centres are the cornerstones of our Environmental Management System ("EMS"), which is certified under the ISO 14001 international standard. The EMS is implemented at all logistics centres, corporate headquarters and Company-owned factories, except for the new textile warehouse (in A Laracha, Spain) and the new Logistics Platform in Lelystad (Netherlands), which were undergoing the certification process at the end of 2019. Inditex has a 25-people team responsible for monitoring and assessing the appropriate implementation of the EMS and the prevention of environmental risks associated with these centres.

During 2019 and 2018, the Inditex Group has not been charged through available channels any significant penalty or sanction for non-compliance with environmental laws and has no facilities located in protected areas.

Our offices are now an extension of the Group's philosophy: think and act responsibly and sustainably to generate shared value and to advance towards a circular economy.

Inditex has a Risk Management and Control Policy which sets the basic principles, key risk factors and the general framework of action for the management of the risks affecting the Group. The scope of application of this Policy extends to the entire Group and forms the basis of an Integrated Risk Management System. Within the context of the Risk Management and Control Policy, the business units constitute the first line of defence in the management and control of the different risks to which the Group is exposed, including those of a climate-related nature.

Bearing the Group's 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 Annual Report.

Sustainable Offices

We increasingly have to think about how we do things and about how to decrease the pressure on natural resources through innovation, the transition towards clean energy and healthy and sustainable nutrition.

Our offices are now an extension of the Group's philosophy: think and act responsibly and sustainably to generate shared value and advance towards a circular economy.

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

At Inditex we have also placed the focus on the mobility of internal services. Several electric vehicles are also available for internal mobility in maintenance or distribution operations, for example.



Atmospheric emissions and noise pollution

Our logistics centres meet the requirements of applicable legislation on control of atmospheric emissions from combustion equipment. Authorised control bodies carry out regular verifications and checks of the limit values of emissions generated by the combustion equipment (heating boilers and steam boilers) subject to control according to the legislation in force. Such regular controls verify compliance with the emission limit values for the parameters applicable to each case (i.e.: CO, NOx, SO₂ or Opacity).

In addition, the night-time distribution model includes the product supply to the stores at night, when noise pollution levels are more restrictive than in the daytime. Moreover, we have developed an *Unloading Equipment Protocol* calling for reduction of noise during unloading operations.



Sustainable offices



- / All **individual rubbish bins** have been eliminated, and numerous containers have been made available for **separating materials** (paper, organic and inorganic waste, containers, batteries, etc.), thereby favouring the circularity of all these materials because they improve separation and **reduce waste**.
- / Training and awareness-raising. A **web application** has been developed, in which employees can consult where they must send each type of waste according to the **type of available container** in each area. They thus collaborate on the Zero Waste objective that we've set for 2023.



- / Delivery of "**Join Life**" **bottles** to our employees in various markets to avoid the consumption of small water bottles, which means a **reduction of our waste** and of the environmental impact of single-use plastic.
- / Delivery of "**Join Life**" **cutlery** to our employees at the Group's central services, thereby reducing the consumption of single-use plastic cutlery in requested picnic services. The textile cover in which they are wrapped is the result of **re-using sanitised and dyed Zara shopping bags**, so that our employees can enjoy the use of a set of quality, sustainable cutlery.



/ **The replacement of plastic containers** in vending machine products with glass containers. We have established circuits of returnable containers for our suppliers, which improve separation and collection and improve the circularity of these containers.

/ In vending machines, we are committed to **healthy options** that are prepared daily. As a novelty, in 2019 a pilot project has been developed: **a reduced price (at the end of the working day) for these perishable products**. We thus promote their consumption and minimise food waste, thereby contributing to reducing the impact of surpluses. This objective is shared with the **Picnic Dinner service**, which was also launched in 2019. It allows our employees to request the dishes from the every day menus of our canteen at the headquarters in Arteixo that aren't consumed.



/ **Circularity in our 360° Restaurant**. Starting this year, there are now four canteens at our headquarters that have joined this philosophy, which promotes a healthy life style, creates a commitment to sustainability and protection of the environment and emphasises the value of economy and local products. In 2019, these 360° restaurants served over 4,000 daily meals, with an average of **65% purchased according to KM 0** (the ingredients are sourced within a radius of under 100 km away from the consumer) which encourages the use of local varieties and breeds, ensures sustainable management of water and land and **reduces the carbon footprint and the impact on climate**.

/ Likewise, **our canteens** are designed to **save energy** through the use of high-efficiency equipment and systems and by **taking advantage of natural light and resources**. We thus reduce CO₂ emissions and balance the carbon cycle.



Our commitment: all Zara stores eco-efficient in 2019 and all other stores by 2020.



04.02/ Energy management in stores. Eco-efficient stores

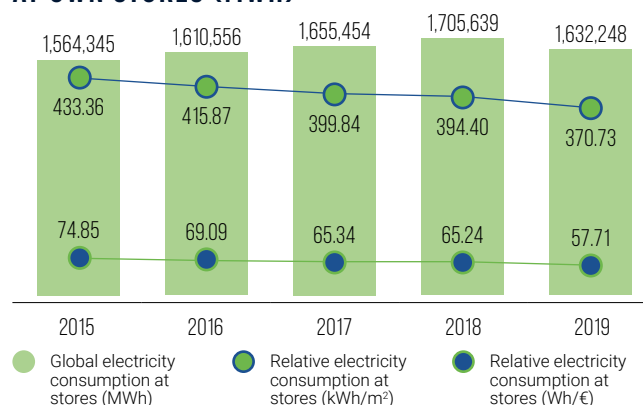
Eco-efficiency is a priority in the design of our stores, which is why we are committed to making all Zara stores eco-efficient in 2019 and all other stores eco-efficient in 2020.

To achieve this, we rely on the Eco-efficient Store Manual, which seeks to ensure that its efficiency and sustainability requirements are fulfilled. Such Manual defines the technical requirements for the different installations and systems of all the stores, as well as the operations to be carried out. In 2019, we had 5,891 eco-efficient stores, which represent 92.7% of the Group's own stores, and Zara has already become the first brand of the Group whose stores comply with the criteria of the Eco-efficient Stores Manual.

We are currently focusing our efforts on increasing the number of stores connected to the centralised consumption management platform, Inergy, which is capable of monitoring the network of connected stores so that they can be adapted to the energy consumption reduction objectives posed in our Sustainability Roadmap by optimising energy consumption and consequently reducing our environmental impact. At the end of 2019, 3,587 own stores were connected to Inergy.

Thanks to all these implemented sustainability and energy efficiency measures, the relative energy consumption per square metre at our stores has been reduced by 6% compared to the preceding year, despite the total increase in the surface area of our facilities.

ESTIMATED ELECTRICITY CONSUMPTION AT OWN STORES (MWH) (*)



(*) The electricity consumption has been calculated on the basis of actual data on the central monitoring platform. In order to estimate average consumption, the data from 1,639 stores has been used, 100% of which are eco-efficient.

Thanks to the eco-efficiency measures implemented in Inditex-owned stores, significant energy savings have been achieved, particularly in air conditioning systems, as these are able to achieve energy yields and efficiency that are at least 20% better compared to conventional equipment.

All these actions to encourage energy efficiency, added to the materialisation of our commitment to renewable energy, has led to a reduction in GHG emission from our business activity.

Meanwhile, at the end of the year, the Group has 40 owned stores that have been certified under the sustainable construction standards *LEED* and *Breem*: 29 of them are *LEED* Gold, 10 are *LEED* Platinum and one is *Breem*. During the 2019 corporate year, we obtained 2 new certifications (Oysho – Place du Molard Geneva, Zara – Brickell City Center Miami).



The eco-efficiency measures implemented at our own stores have allowed us to achieve major electricity savings.

Certification of our stores

BUILDING	LOCATION	CERTIFICATION
Zara Park House	London	LEED Platinum
Zara Serrano	Madrid	LEED Platinum
Zara Via del Corso	Rome	LEED Platinum
Zara Kangnam	Seoul	LEED Platinum
Zara Compostela	A Coruña	LEED Gold
Zara Kalverstraat	Amsterdam	LEED Gold
Zara Plaza Catalunya	Barcelona	LEED Gold
Zara Puerta del Angel	Barcelona	LEED Gold
Zara Ismail Building	Bombai	LEED Gold
Zara Madero- Mexico	Mexico	LEED Gold
Zara Krakow	Krakow	LEED Gold
Zara Geneva	Geneva	LEED Gold
Zara Castellana	Madrid	LEED Gold
Zara	Melbourne	LEED Gold
Zara Brickell City Centre	Miami	LEED Gold
Zara Broadway Soho	New York	LEED Gold
Zara Oslo	Oslo	LEED Gold
Zara Opera	Paris	LEED Gold
Zara Champs Elysees	Paris	LEED Gold
Zara Nanjing	Shanghai	LEED Gold
Zara Haas Haus Vienna	Vienna	LEED Gold
Pull&Bear Rotterdam	Rotterdam	LEED Platinum
Pull&Bear Preciados	Madrid	LEED Gold
Pull&Bear Gran Vía	Madrid	LEED Gold
Massimo Dutti Serrano	Madrid	LEED Platinum
Massimo Dutti Colon	Valencia	LEED Platinum
Massimo Dutti Sant Feliu	Palma de Mallorca	LEED Gold
Massimo Dutti Paseo Borne	Palma de Mallorca	LEED Gold
Bershka Berlin	Berlin	LEED Platinum
Bershka Colon	Valencia	LEED Platinum
Oysho Diagonal 596	Barcelona	LEED Gold
Oysho Paseo de Gracia	Barcelona	LEED Gold
Oysho Place du Molard	Geneva	LEED Gold
Oysho Roma	Rome	LEED Gold
Oysho Paris	Paris	BREEAM Bueno
Zara Home Munich	Munich	LEED Gold
Zara Home	Palma de Mallorca	LEED Gold
Zara Home Champs Elysees	Paris	LEED Gold
Zara Home The Place	Beijing	LEED Gold
Uterqüe Serrano	Madrid	LEED Platinum





Zara.com: Working to make our online store an eco-efficient web page

The images, videos and information of zara.com are housed at its own data centres and on external servers, which allow streamlining and storing information.

Our main Technology Centre is located at our offices of Arteixo (Galicia). This centre consumes energy that is 100% from renewable sources, and it is certified as LEED Platinum by the U.S. organisation Green Building Council. In addition, in 2019 and 2018 it maintained its ISO 50001 standard, certifying its energy management and more sustainable and efficient energy use.

To streamline access to our web page throughout the world, we also work with external servers. In 2019, 100% of the energy consumed by these servers also came from renewable sources.

04.03/ Management of energy in transport and distribution efficiency

The efficiency of our network of logistics centres is a determining factor for us to be able ship our products to stores twice per week. Moreover, at Inditex we understand that the optimum management of transport and packaging is key to making more efficient use of resources, thereby reducing the emissions associated with our processes. In this regard, we believe that the commitment to sustainability and efficiency also has a positive impact on the business.

In order to improve the efficiency associated with our distribution and logistics operations, various actions have been taken:

- We continue working towards consolidating aerial and maritime imported goods, which has resulted in savings for the Group of 72,357 overland km on a European level in 2019.
- We continue to implement measures to optimise packing and packaging and to increase multimodal transport in certain flows.
- We continue to improve on the density of our shipments, which results in a savings of resource consumption and optimisation of transport. Specifically, we have



continued to improve box-packing controls thanks to the introduction of new protocols for load optimisation, revision and adjustment.

- For another year running, we continue to use the fleet of mega-trucks and to increase the number of routes using giga-trailers, which has enabled us to increase the load volume of the trucks, thus reducing CO₂ emissions.
- Once again this year, we have carried out a significant effort in truck load optimisation to reduce the number of vehicles (2,000 less in 2019) along European road routes. This measure has brought about savings of 3,400,000 km and associated emissions.
- In order to leverage the flows along the routes servicing the European stores and in an effort to avoid empty return truck runs, we use these trucks for goods returns to Spain. During the year we have used 5,400 return truck runs, resulting in savings of 9,200,000 km and associated emissions.
- 85% of the fleet of our overland transport suppliers, accounting for 66.7% of total business turnover of primary overland transport, meets the Euro VI motor standard, the most exacting at present in matters of nitrogen oxide and particle emissions.

- Moreover, we have continued to promote the use of trailers using LNG (Liquified Natural Gas), using this type of vehicle in continuous flows and covering over 540,000 km carrying Group goods in 2019.

- In China we have begun to implement the use of electrical vehicles for last mile delivery to stores, with deliveries made in 42 cities by the end of this year. We have thus managed to implement this form of transport in 67% of stores, which translates into the reduction of GHG emissions and air pollution in cities.

Our employees also get involved in reducing GHG emissions

Since 2019, all our office employees can go to work using the shuttle bus service or sharing a vehicle thanks to the implementation of WESHARE.

Likewise, we have provided electric vehicle charging stations at our headquarters. During this financial year, over 47,000 kWh¹ have been supplied, which help to avoid the emissions associated with the use of fossil fuels.

(1) Electrical consumption by electrical vehicle charging points in Group central service facilities, own logistics centres and own factories.

In order to be able to reduce our water consumption and improve its reuse, we incorporate storm tanks on new projects in order to recover water.

05/ Water management

The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards a sustainable and rational water management. Our bases for water management follow the principles included in the initiative, CEO Water Mandate, promoted by the United Nations Global Compact. Environmental and social aspects are associated in this initiative, given that water in the world affects the quality of river ecosystems, and it is therefore a resource that depends on the development of communities.

05.01/ Water management in distribution and at the point of sale



The largest consumption of water corresponds to domestic use, namely cleaning and toilets, ensuring discharge through municipal wastewater systems. On the other hand, in industrial processes water is mainly used to generate steam and for closed-circuit cooling systems, which use recirculation systems.

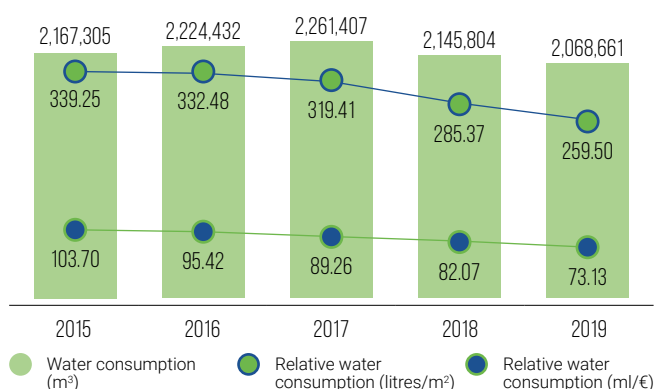
In 2019, thanks to the implemented water savings and efficiency measures, we reduced relative water consumption per square metre by 9% at our corporate headquarters, own factories, logistics centres and own stores.

In order to reduce our water usage and improve reuse, we have installed storm tanks to collect roof rainwater for irrigation, road cleaning and other services.

Moreover, it is worth mentioning that, during this year, we have been granted authorisation from Aguas de Galicia to reuse 100% of water from the outflow of the treatment plant located in the facilities of Indipunt in Narón. The advanced technology installed in this facility enables water to be reused for irrigation of gardens and toilet systems, resulting in significant savings in water usage for the Indipunt facility. This water recovery project is the first project of its kind approved in Galicia, after having successfully passed the strict control procedures established by the Public Administration.

More information about water management from page 148 of this Annual Report.

WATER CONSUMPTION (M³) (*)



(*) The calculation methodology has been updated to provide greater precision. 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 format. As a result, the water consumption data for 2018, 2017, 2016 and 2015 have been updated.

When calculating the water consumption of centres, certain consumption figures for January have been estimated, given that the data were not available at the time when this report was being prepared.

The 2018 figure has been updated from the one presented in the Statement on Non-Financial Information.

The surface areas of the logistics centres, headquarters and own factories have been updated.



Our commitment: 100% of stores with containers to collect used garments in 2020.

Circular economy

Circularity is an essential aspect in advancing towards decarbonisation of the value chain. Following the principles of the circular economy, air quality can be improved, healthier and cleaner water can be promoted and biodiversity can be protected. All while following strategies that range from reusing garments to a more responsible and sustainable design of products, thereby managing to become more efficient in our use of resources.

The objective is to transform the concept of waste so that it is considered a valuable resource that can be recovered and reintroduced as a raw material in production systems. In addition, and applying eco-design techniques, it is possible to not only extend the useful life of products and materials, but also maximise their recycling possibilities, consequently attacking the generation of waste at its origin.

In order to accelerate the transformation of industry in terms of circularity, we are working in collaboration with different forums and organisations, such as the Sustainable Apparel Coalition and the Policy Hub. In these forums, we share our experiences and best practice with

other industry players (brands, retailers, manufacturers, suppliers, NGOs, authorities, scholars, etc.) to generate systemic improvements in the industry.

The circular economy is one of two core axis of Inditex's sustainability strategy, considering both the materials and the processes used to make its garments. Consequently, at Inditex we aim to select more sustainable raw materials, to reduce the consumption of paper, plastic, cardboard, etc. In order to:

- Give garments or materials a second life.
- Transform waste into raw materials.
- Generate the least possible waste.
- Improve the optimisation of raw materials.

Three initiatives have been developed to achieve these goals: Closing the Loop, Zero Waste and Green to Pack.





01/ Closing the Loop

01.01/ Collect, Reuse, Recycle

These are the three cornerstones on which our programme for collecting used clothing is based, which seeks to extend the useful life of textile products through reuse or recycling whenever it is possible to give them a second life.

We therefore collaborate with numerous, local non-profit entities, with specialists in various technologies and with companies that specialise in recycling.

At Inditex we are working so that, by 2020, this programme will be available at all the Group's stores worldwide by collaborating with different social organisations in different markets, in order to benefit the local community in every area of influence where this programme is under way.

Collect

Inditex seeks to close the life cycle of the products and materials used during its activity. In the case of fabric cutting waste in the factories in which we produce our garments, we are developing programmes to collect this cutting waste for subsequent recycling and creation of new textile fibres, such as recycled viscose, polyester or cotton.

As for used garments, we have installed clothing collection containers in our stores and logistics centres and have

funded the installation of containers on the streets of various cities, in collaboration with several non-profit organisations, business specialising in recycling, social institutions and the Third Sector.

The collected garments are donated to non-profit organisations such as Cáritas, Red Cross, CEPF, Le Relais, Liga Solidaria or Casa de la Amistad, where they are separated and classified for best use.

Reuse

Collected garments that are in good shape are reused, either directly or after repair, by non-profit stores with which we collaborate. They donate the garments to persons at risk of social exclusion or sell them in their second-hand stores to obtain funds and subsidise their social and environmental projects.

Since 2015, over 49,479 tons of garments, footwear and accessories have been donated.

Recycle

To close the cycle of garments that cannot be reused or the fabric cutting waste, we work with various business organisations and universities to promote the innovation and development of new more sustainable materials and technologies to help recycle textile waste.

At Inditex we collaborate with renowned entities such as the Massachusetts Institute of Technology (MIT) and Cáritas,

among others, to advance in textile recycling processes and technologies that help us to meet our circular economy strategic goal. In 2019 we have managed to exceed the commitment set for 2020 with the Global Fashion Agenda of an investment of 3.5 million dollars in this area.

In 2019 we entered into an agreement with the *Massachusetts Institute of Technology* (MIT), resulting in the creation of the *Inditex Materials Science and Engineering Fellowship Fund* with the *MIT Department of Materials Science and Engineering*. The goal of this chair is the promotion of research in sustainability, with funding of one million dollars.

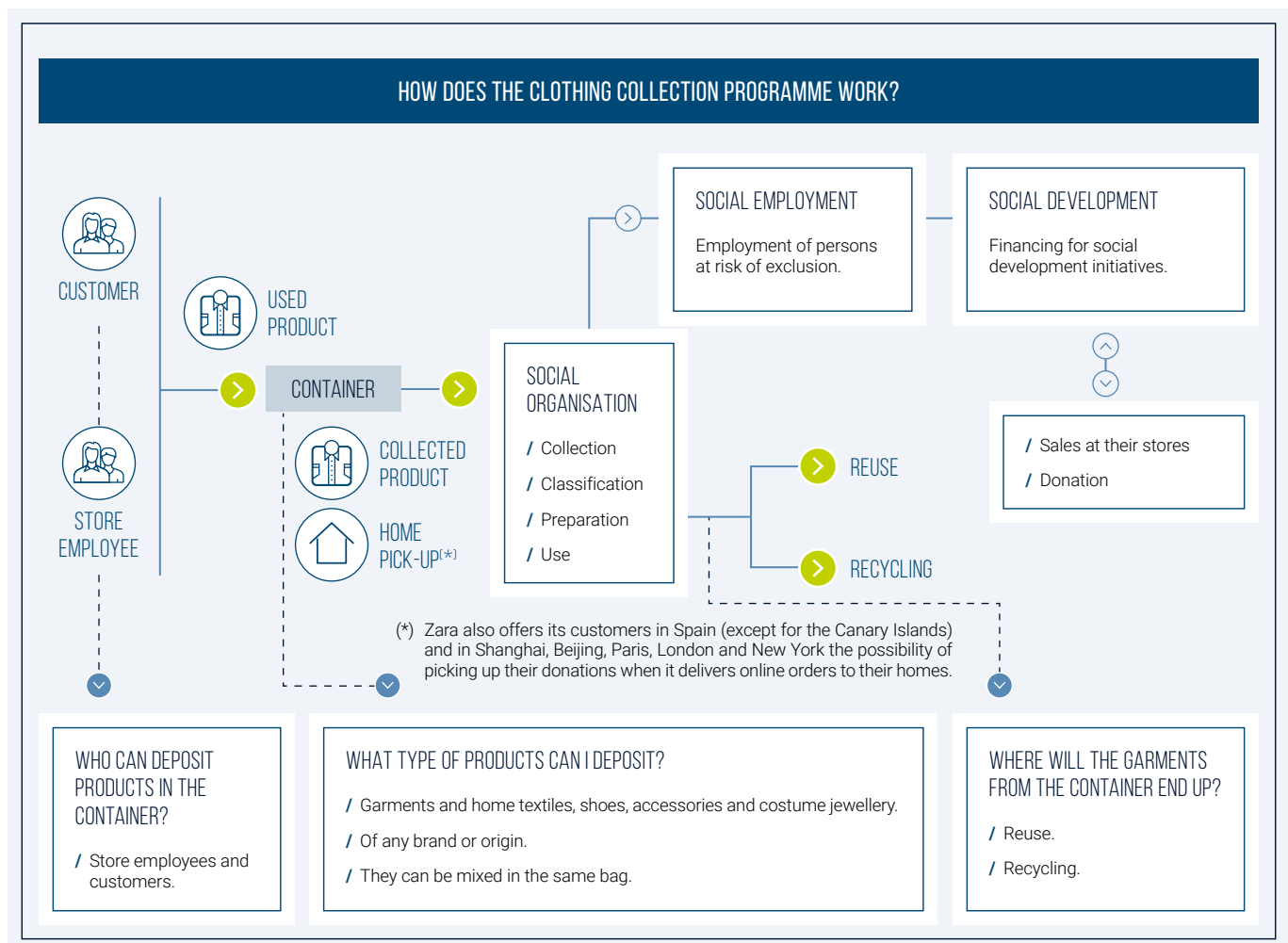
In addition, in 2019 the first triennial edition of the MIT-Spain INDITEX Sustainability Seed Fund ended, through the *MISTI (International Science and Technology Initiatives)*, which encourages research collaboration between MIT professors and students and their colleagues at universities and research institutes in Spain. The purpose of the fund is to finance research in areas such as new textile recycling techniques or the creation of new fibres based on sustainable technologies. For this first version, from Inditex we allocated the amount of 450,000 dollars. The second edition will cover the 2020-2022 period.

01.02/ Clothing collection programme

This programme refers to collaboration between Inditex and non-profit social organisations for the collection of garments, footwear and accessories that are not going to continue being used, thereby giving them another life. The social organisations are in charge of managing the garments and receiving the profits they represent, with the main objective of continuing to develop social and environmental projects.

Main objectives

- Offer our customers the best collection **channel for used clothing, footwear and accessories**, thereby ensuring the best destination of garments.
- **Prevent** used garments from ending up in the **waste flow**, and improve textile recycling systems.
- Provide the **best possible use for the collected garments**, consequently maintaining the use value for the longest possible time.
- **Help to finance social and environmental projects**, and collaborate with our *partners* on developing the necessary skills and experience to build sustainable and successful systems.



Selection of social organisations

Collaborators on the programme are chosen after a comprehensive analysis by Inditex. The basic requirements that must be met to be able to collaborate on the programme are the following:

- Be officially registered as a non-profit organisation.
- Provide official, externally verified information (annual report of activities, annual accounts, etc.).
- Have over 5 years of activity.
- Have experience on textile management programmes.
- Have their own financing.

Uses of garments

The main objective of the programme is to give **donated garments a second life**, thereby preventing them from ending up in a landfill and consequently having an impact on the environment. The main uses for garments are the following:

- Reuse with a social purpose (donation).
- Recycling and transformation of garments into other textile products (upcycling).

- Recycling into new fibres and materials sent to the non-textile industry (downcycling).
- Sale at second-hand stores to finance social projects.
- International sale (only to certain, contractually defined countries¹).
- Energy recovery (it cannot exceed 5% of the total of garments).

Other commitments of our collaborators

Collaborators undertake to comply with:

- Inditex's Codes of Conduct: collaborators undertake to comply with the following codes of conduct: "Responsible Practices of Inditex" and "Responsible Practices for Manufacturers and Suppliers".
- Periodic data reporting: In order to correctly monitor the programme, our collaborators periodically send information about the garments that have been collected through the programme. We thus know the quantity of collected garments and the use that they are given.

(1) We have established a list of countries to which our collaborators cannot send garments, due to either legal or operational reasons - thereby assuring the correct processing of textile waste. Likewise, the impact that imports could have on the textile industry has been taken into account



Challenges

- Create a social and environmentally responsible solution for textile waste.
- Maximise circularity in the recovery of raw materials.
- Raise society's awareness about the use and end of life of textile products.
- Innovate in the industrial fabric for recycling, with a social dimension.
- Identify possible synergies in the area of textile recycling.
- Dignify the social delivery of clothing to disadvantaged persons who need it.
- Generate social employment and industrial capacity.

01.02.01/ Our programme in figures

Fully implemented in corporate headquarters, logistics centres and own factories.

The programme is active in a total of 2,299 stores in 46 markets, in collaboration with 45 different social organisations, thus fulfilling the commitment undertaken by Inditex with the *Global Fashion Agenda* one year earlier than expected.

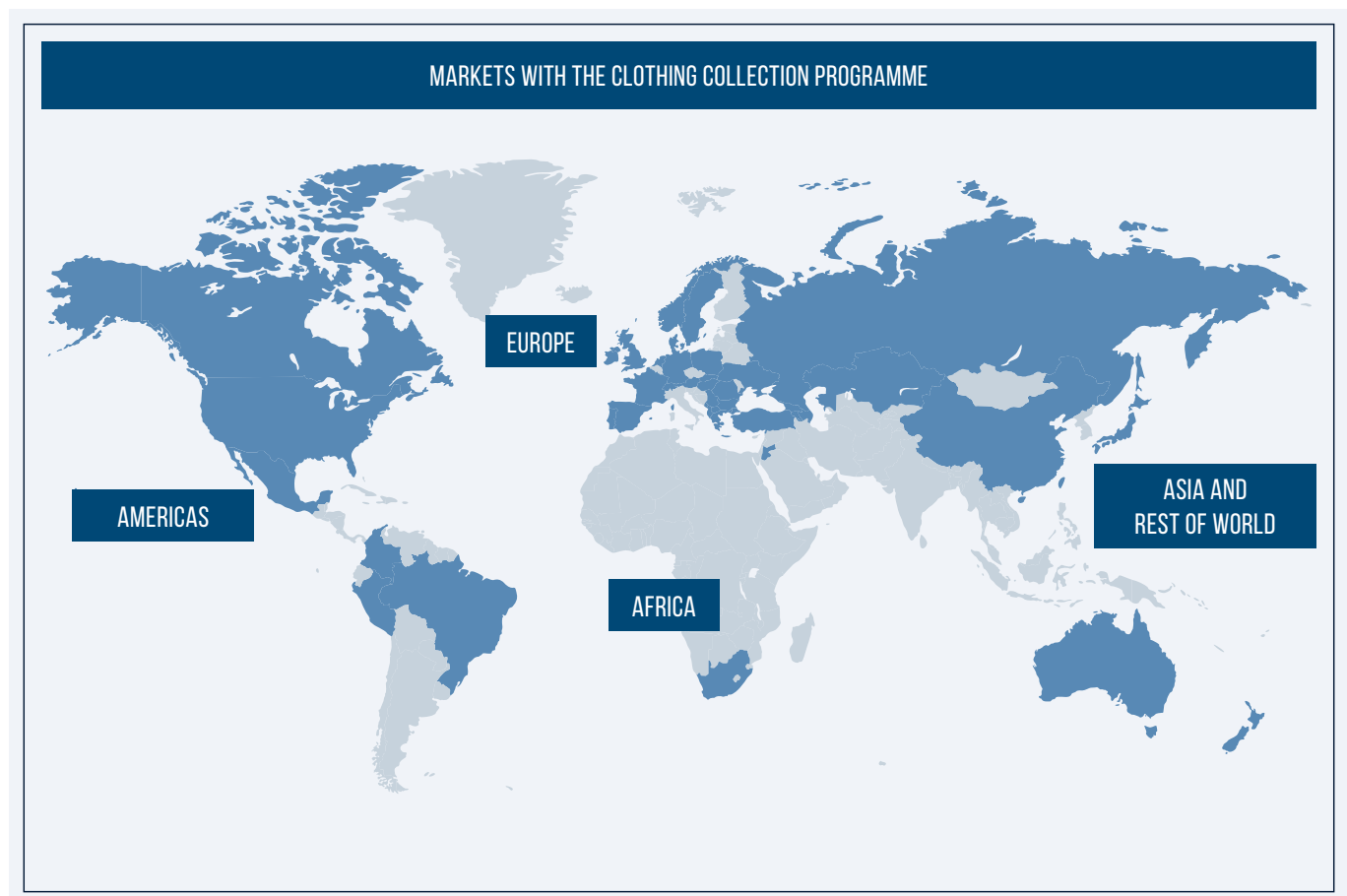
All the brands of the Group collaborate with the programme. In 2019, the programme was already implemented at 1,206 Zara stores in 46 markets throughout the world.

Bershka, Oysho and Pull&Bear have deployed the programme in international markets.

In 2019, the programme was also available for online customers of Zara in Paris, London and New York, to be added to those already in existence in Spain and in China (Beijing and Shanghai).

In Spain, in collaboration with Cáritas, collection containers have also been placed in the streets, reaching a total of 1,856 containers by the end of the year.

In 2019, we renewed our agreement with Cáritas according to which we will contribute 3.5 million euros to the textile project over the next three years. It fosters the collection of used clothing and footwear to be reused or recycled as part of a process that promotes the integration and contracting of persons at risk of social exclusion. The funding will be used to install 300 containers to collect garments in cities all over Spain and to improve the traceability systems of this collection and promote the Cáritas network of secondhand stores known as Moda Re-.



Our commitment: to achieve that by 2023, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.

02/ Zero Waste

02.01/ Our commitment

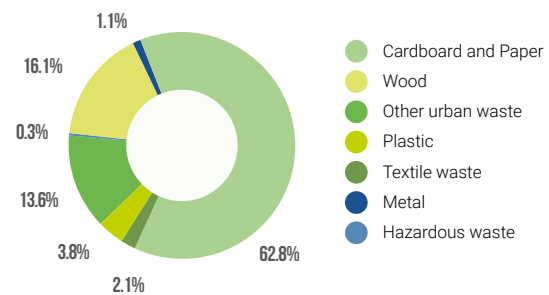
We are working towards the goal of ensuring that, by 2023 and by integrating the Circular Economy concept in our business model, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.

To achieve this goal we have *Zero Waste*, a programme designed to collect, classify, recycle or recover the waste generated at our facilities.

The appropriate waste classification at our facilities is the main essence of the *Zero Waste* programme, as duty classified waste becomes material resources. We have developed internal devices to optimise the separation and compacting of such materials, reducing greenhouse gas (hereinafter, GHG) emissions associated with their transport and improving ergonomics during operation.

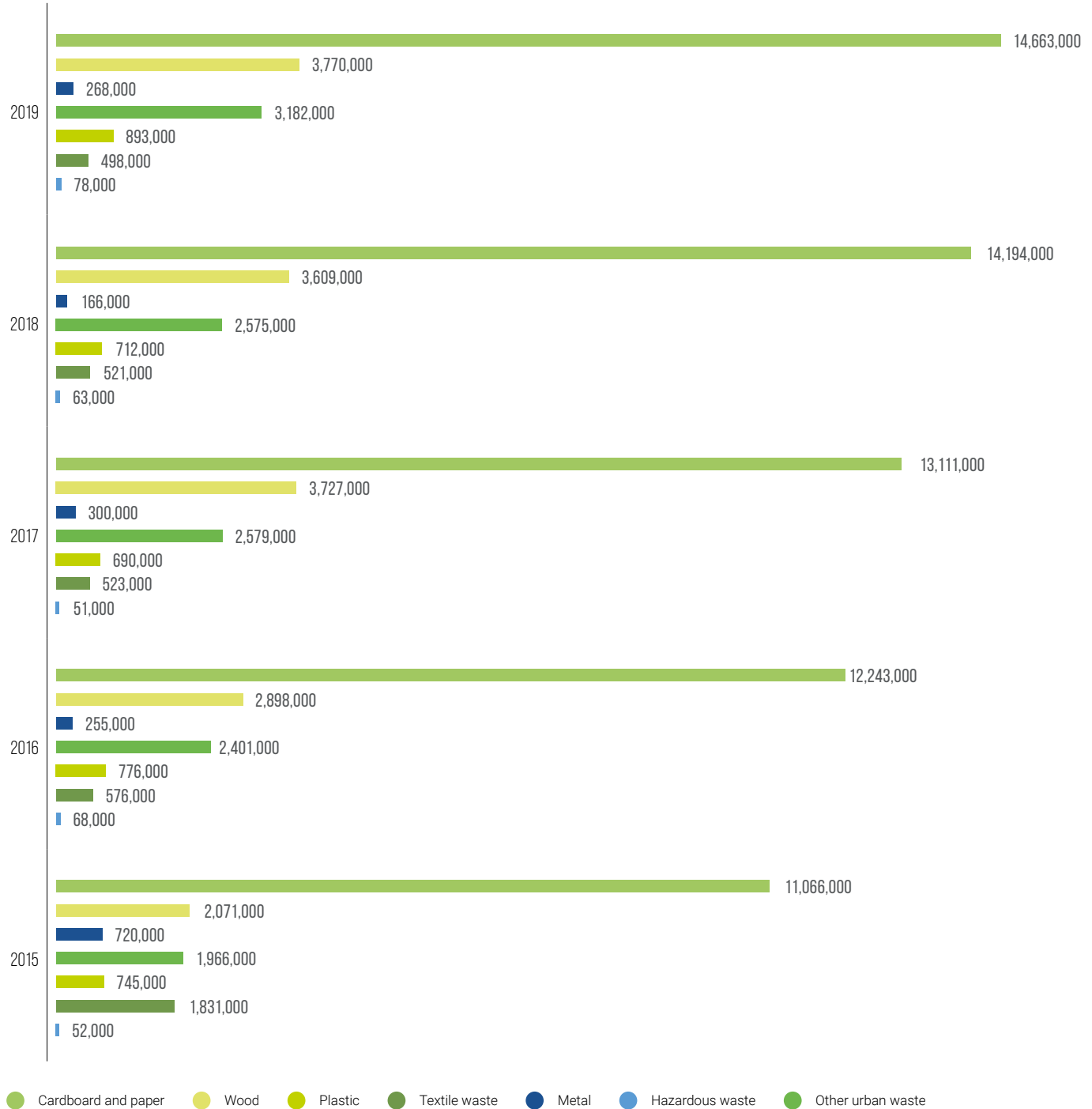


We classify our waste according to the European Waste List (EWL) and the transpositions thereof into national and regional legislation. The waste that is mainly generated, as it can be observed in the following graph, is cardboard and paper, plastic, wood, metal and the textile remains, and this waste is managed by legally authorized managers for the subsequent recycling thereof.



Shown below is a graph with the waste generated at our headquarters, own factories and logistics centres.

ABSOLUTE DATA ON NON-HAZARDOUS AND HAZARDOUS WASTE (KG)



The expansion of our logistics capacity has caused a slight increase in the generation of materials, but thanks to the commitment of our employees, we've been able to reduce the mixed fraction by 6.6% with respect to the total, and we've improved its subsequent recycling and recovery, thereby turning it into a new raw material.

Moreover, in line with our commitments, we are working in several areas, cited below, to reduce the use of unnecessary

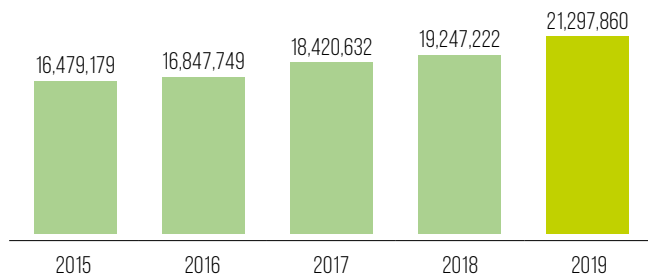
packing and packaging. The packing and packaging that accompany our products (bags, labels and protective items) are managed by the Integrated Packing and Packaging Management Systems available in the markets where the Group operates. This means that each one of our brands pays an authorised non-profit waste manager in every market (for instance, Ecoembes in Spain) for the cost to collect and manage the packing and packaging materials used for customers.

Reused or Recycled Waste

In accordance with our commitment and thanks to the efforts and commitment of our employees, the waste generated at our headquarters, at Inditex factories and at logistics centres is separated at the origin, collected and managed by legally authorised managers for the subsequent recycling thereof (in the case of paper and cardboard, wood, plastics, metal and textile remains, mainly), and it is given other appropriate processing that allows recovery and adequate environmental management.

The graphs of the evolution of recovered products to be sent to recycling are shown below.

NON-HAZARDOUS AND HAZARDOUS WASTE RECOVERED TO BE SENT TO RECYCLING (KG)



During this year, 91% of the Group's hazardous and non-hazardous waste (headquarters, logistics centres and Inditex factories) was sent for reuse and recycling via the aforementioned circuits, thus preventing the use of virgin raw materials.

We collaborate with waste management companies to find new solutions for the materials that we collect at our facilities. Thanks to this work together, we have been able to develop mechanisms to turn those materials into new ones for subsequent use in our activities, such as the inclusion of cardboard from our own facilities in online boxes of Zara.com and plastic in different consumables used in our primary packaging system, in contact with the product, and from logistics.

Thanks to the separation tasks at the origin and subsequent delivery to a legally authorised manager, in 2019 we managed to ensure that around 93% of our hazardous waste was recycled, recovered and adequately processed for reclamation. **The main hazardous waste that is generated is presented below.**

Our recycling and reuse activity covers many other areas. For instance, alarm tags are also reused, having collected 1,302 million over the year.

Single Hanger

In addition, in 2019 Zara began implementing the "Single Hanger" project in stores all over the world. It consists in the development of a single hanger for transporting garments from textile suppliers to the stores and for subsequent display in the store. The hanger is continuously reused through closed circuit systems.

Thanks to this programme, we are working together with hanger suppliers and our internal teams to unify models and materials for these products and to establish closed circuits that improve traceability and the reuse and recycling capacity.

In line with our commitment to the circular economy, the old hangers that are being removed from the stores while this project is being implemented are being recycled to generate new materials for use in other new products.

Training

At Inditex we encourage actions to reduce at source and to enhance recycling via training projects designed for our employees. In 2019 a number of waste management training courses have been provided at the Group's facilities, with 1,905 employees. To support such training, a pilot project based at Inditex headquarters has been developed, consisting of a web application allowing employees to check the use of every waste product depending on the type of container available in each of the areas.

TYPE OF WASTE (KG)	FINAL TREATMENT	2015	2016	2017	2018	2019
Batteries	Recycling	9,532	7,945	6,580	9,193	8,227
Electronic waste	Recycling	10,094	9,776	10,149	25,091	41,329
Fluorescent bulbs	Extraction of gas and recycling	5,387	26,000	6,207	3,446	5,390
Used mineral oil	Recycling	15,080	8,242	5,083	6,766	6,066
Contaminated absorbents	Energy recovery and controlled elimination	2,786	4,969	5,818	6,873	5,689
Contaminated plastic containers	Recycling	1,366	1,521	1,740	1,061	1,365

Microfibres

Inditex is committed to developing more sustainable products by taking into account their complete life cycle. As a part of this commitment, we are working with the main universities, research centres and international scientists, as well as with other industries and *advocacy groups*, on jointly exploring specific ways to reduce the release of microfibres and, above all, to prevent them from reaching the oceans. Specifically, we are researching and innovating along the main lines of: *design, manufacturing and final use*. Currently, we are an active member of the *Microfiber Consortium*, a consortium that is focused on facilitating the shared development of practical solutions within the microfibre framework of the textile industry.

03/ Green to Pack

Our *Green to Pack* programme sets the quality standards of our packaging, enabling the use of recycled materials, the extension of its useful life and subsequent recycling. This helps to reduce consumption of resources and to optimise transport.

**OVER 14,000 TONS OF OUR OWN
CARDBOARD RECYCLED FOR NEW BOXES
OF ZARA ONLINE SHIPMENTS**

**ZARA HOME HAS ELIMINATED PLASTIC
FROM ITS ONLINE ORDERS**

ZARA ELIMINATES ALL PLASTIC BAGS IN ITS STORES

03.01/ Cardboard Boxes

One of the *Green to Pack* initiatives is based on improving the quality of the cardboard boxes used to ship our garments from the suppliers. This increases the useful life of our boxes which can be used up to five times before being recycled.

At the same time, we strive to recycle these boxes at the end of their useful life. This recycled cardboard is used to manufacture the boxes used for *Zara online* shipments. The quantity of cardboard collected in 2019 at our warehouses and introduced into the circularity flow of the *Zara online* box exceeded 14,000 tons.

At present all the Group's brands form part of this programme, which has enabled the project to be consolidated during this year, having acquired 14,740,028 certified boxes via 827 suppliers.

Within the scope of e-commerce, during this corporate year, in *Zara online* shipments we increased this use by 15 percentage points over traditional boxes. Moreover, along this line, in all our brands we have incorporated new markets to the paperless purchase receipt. Thanks to both measures, 232 tons of paper have been saved.

03.02/ Plastic

Zara has eliminated 100% of plastic bags in its stores in 2019, and other brands –like *Zara Home*– have also changed over to paper bags before the target date.

Throughout this year, *Zara Home* has eliminated plastic from its online shipments, which no longer have an outer bag. During the year, all other Group brands have advanced in terms of eliminating the outer plastic bag in online shipments.

All these efforts are in line with the Company's objective to eliminate single-use plastics with customers by 2023 and the objective to ensure that all plastics used in our activity can be reused or recycled, such that they are reintroduced into the circuit.

The approach adopted regarding plastics, as well as the results obtained, are reported to the *Ellen MacArthur Foundation*, following our commitment to the *New Plastics Global Economy Commitment*, driven by that foundation in cooperation with United Nations Environment.

The working plan that is currently being developed contemplates reducing the quantity of plastics in our packaging, thereby advancing towards models of reuse such as the single hanger project and innovation together with our suppliers to implement a nomenclature system, thereby allowing us to improve traceability and increase the quantity of recycled content of our plastic packaging.



Our commitment: *Elimination of plastic bags in all brands of the Group by 2020. Elimination of single use plastic for the customer by 2023.*