



## 4. Our strategy

Business model and strategy / 4.1. Sustainability, one of our pillars / 4.2. Stakeholder engagement

Our unique business model has enabled us, in just a few decades, to turn a small sewing workshop in A Coruña into one of the most relevant actors in fashion retail worldwide. For this, the Group relies on four solid pillars: a unique fashion proposal, a differential shopping experience, an extraordinary team and the implementation of responsible practices at every stage of our activity.

# Business model and strategy

GRI 2-1; 2-6; 2-23; 3-3

The Inditex Group is a family of several commercial brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home. All of them share the same objective: to offer our customers across more than 200 markets an inspiring, quality and responsibly produced fashion proposal.

Our fashion distribution and sales activity is carried out through an international group of companies, the Inditex Group, whose parent company is Industria de Diseño Textil, S.A., (Inditex S.A.), which is listed on all four Spanish stock exchanges. Details of the corporate structure at 31 January 2023 are provided in Annex I of the Consolidated Annual Accounts of the Inditex Group.

① Detailed information on the markets in which Inditex operates can be found in the [Consolidated Directors' Report](#)

Our unique business model, which covers all the stages from the design of our products to their sale in our stores and online platforms, has enabled us, in just a few decades, to turn a small garment workshop in A Coruña into one of the most relevant actors in fashion retail worldwide, grounded **on four solid pillars**.

The first of these is our ability to offer, season after season, a **unique fashion proposal**, built on creativity, emotion, innovation, quality and, above all, on permanently listening to the needs and wishes of our customers. All our commercial formats excel in their capacity to adapt and respond to any change in the market or the emergence of any new trend, which allows us to develop fine-tuned production processes, with short runs that are fully adapted to demand. The significant weight of production in geographical areas close to our headquarters in Spain is key for us, as it allows us to prioritise flexibility and efficiently control the entire production process.

At Inditex, moreover, we constantly strive to give our customers access to that excellent fashion proposal through an **increasingly engaging shopping experience**, whether in our more than 5,800 stores or through the online channels of the Group's seven brands. We pride ourselves on having unique retail spaces in prime locations in the heart of the world's major cities and equipped with cutting-edge energy efficiency systems. Our commercial concept is based on spacious stores fitted with the most innovative technological tools to offer the customer a unique and integrated experience with online platforms. The unique inventory system that allows a streamlined response to the market is only possible thanks to the excellent work of our teams and the continuous improvement of our logistics systems.

The key factor that explains the performance of our business model is the **extraordinary team** that makes it all possible. Inditex is made up of more than 160,000 passionate and curious people who are driven by the desire to excel and grow every day, regardless of their specific location or professional task. Nurturing our talent, through continuous training and growth opportunities, is an obsession for us. We see our company as having a character of its own, in which attributes such as humility, ambition, high levels of individual responsibility, a sense of belonging and teamwork are not platitudes, but tangible realities that permeate everything we do and underpin the commitment of all our employees.

The last pillar on which our business model rests is **sustainability and responsibility**, the way we see our activity and our relationship with the surrounding environment. Inditex, which was launched with the aim of creating quality fashion and design at an attractive price, has had a comprehensive sustainability strategy since 2001, when we became one of the companies adhered to the United Nations Global Compact.

At Inditex we firmly believe in our capacity to act as an agent of change within the fashion industry and we are making notable efforts to reduce the environmental impact of our activity, as part of a circularity strategy that applies to all our processes. Our sustainability action plan is enabling us to achieve more ambitious targets each year, such as the use of 100% renewable electric power in our operations and the increasing use of preferred fibres and materials in line with our sustainability objectives, to reach our goal of net zero emissions by 2040.

These developments in sustainability would not be possible without an equally firm commitment to innovation and research, either through our Sustainability Innovation Hub, the platform with which we are continuously seeking the best materials, approaches and processes, or through start-ups, scientific institutions and third-sector organisations that have become our partners of reference, with whom we have pledged to collaborate and invest.

Our business model encompasses four main phases: design; manufacture and supply; logistics and distribution; and, lastly, our stores and online sales channels.

### **/ Design**

We have a team of more than 700 designers that contribute exceptional talent, unfettered creativity and in-depth knowledge of the customers they create for. Their visionary and highly-skilled work is based on analysing sales, receiving daily feedback from our stores and sales teams, and on their innate capacity to interpret trends. Always impeccably well informed, they are able to intuit, and even to anticipate, our customers' needs all over the world.

All that talent is underpinned by the conviction that responsible fashion starts at the drawing board. Our designers are mindful of their role and pay special attention to the materials and processes used in our articles, thereby moving forward in the circular economy model that our Company promotes. In this regard, innovation is pivotal, since it enables us to find alternative solutions to conventional raw materials.

### **/ Manufacturing and procurement**

Our origins as a sewing workshop make us especially appreciative of the role our non-exclusive suppliers and manufacturers play in creating high quality products and in our value proposition. Our supply chain is organised by means of twelve clusters, and their socially and environmentally responsible management is the cornerstone of our approach to procurement and manufacturing. Accordingly, we ensure that our suppliers' and manufacturer's workers have decent conditions and we further minimise our environmental impact.

We prioritise flexibility, which is why a remarkable portion of our end-product manufacturers are located in areas close to our headquarters in Spain. This proximity, together with short production runs, gives us flexibility and control over the process, which means we can adapt our commercial offering to changing trends as they arise.

### **/ Logistics and distribution**

Our logistical flexibility to adapt to commercial decisions has been a key factor in our expansion across more than 200 markets.

The Group's various brands distribute their stock to stores and online warehouses around the world from centralised logistics hubs, efficiently integrating our store and online operations during the warehousing, shipping and distribution processes. By adopting and developing technologies such as Radio Frequency Identification (RFID) or the Integrated Stock Management System (SINT), we have merged the inventory management of all our brands. Thus, our staff can quickly locate any article, regardless of where it is located, and make it available to customers.

### **/ Stores/online**

All our stores, whether physical or online, are merged into a single sales platform. We take extreme care of all points of contact between our brands and customers: cutting-edge designs, sophisticated spaces and innovative technology geared to offering the best possible experience. That's why we never stop looking for ways to improve our stores—located in the world's most exclusive and technologically advanced shopping areas—while revolutionising e-commerce with high-end fashion editorials that deliver the originality and inspiration our customers want.

Managing risk is inherent to our business model and directly responds to the precautionary principle throughout our value chain, a responsibility of each and every member of Inditex. We have systematic processes for identifying, assessing, recording and monitoring risks to ensure they are managed in the best possible way. The Integrated Risk Management and Control System emanates from the Board of Directors and is articulated in the form of several regulations aimed at managing the various scenarios.

① More information in section [6.3. Responsible risk management](#) of this Report.

## Transversal and collaborative innovation

Innovation is one of the transversal axes on which the four pillars of our strategy are aligned.

Through innovation, every day we aim to be **more creative, agile, efficient and respectful** in our interactions with our customers and our surrounding community alike. And, needless to say, **we strive to hone the customer experience and strengthen customers' trust** every time they choose us.

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

Inditex's capacity for innovation and transformation is evidenced by the numerous projects that the Group has underway. All these initiatives permeate every area and level of the Company and every stage of our value chain (design, manufacturing, transport, logistics, distribution, sales, product use, circularity and end-of-life), and will be detailed over the course of this report. Some examples are Zara's launch of Pre-Owned, a platform that helps our customers to extend the useful life of our products; the deployment of Store Mode in five of the Group's brands, the availability of virtual shoe fitting in the Pull&Bear and Stradivarius apps; or the launch of a detergent, The Laundry by Zara Home, —developed in collaboration with BASF— that reduces the release of microfibres when garments are washed.



## Business model

Inditex's business model aims to satisfy our customers' expectation by offering inspiring, high quality and responsibly produced fashion.

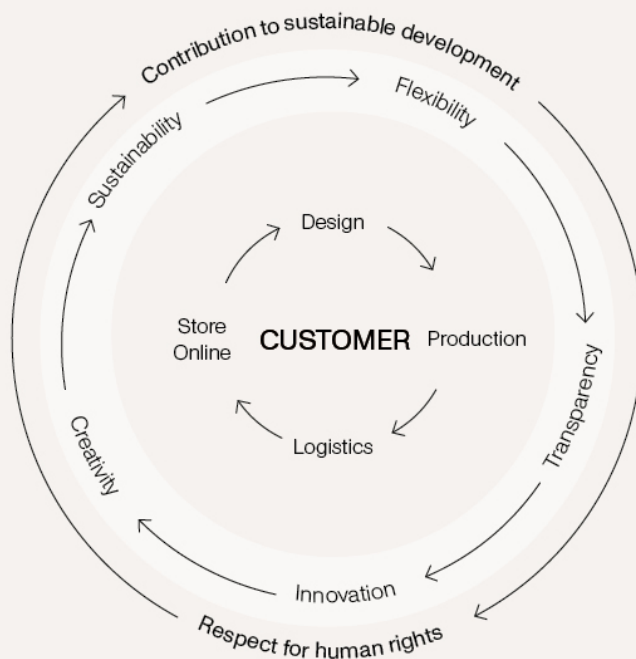
Our strategy is based on four pillars: unique fashion proposals, an enhanced customer experience, the

commitment of our people and sustainability applied to all the stages of our value chain..

With them, through transparency and constant dialogue with our stakeholders, we work to promote human rights, the Sustainable Development Goals and, in particular, to create environmental and social value in our environment.

### Stakeholder groups

Employees	Customers	Suppliers	Community	Environment	Shareholders
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### Pillars on which our strategy is established

Fashion	Customer experience	People	Sustainability
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### Action principles

- |   |   |   |
|---|---|---|
| / Code of Conduct and Responsible Practices       | / Procurement Policy                    | / Information Security Policy   |
| / Code of Conduct for Manufacturers and Suppliers | / Tax Strategy Policy                   | / Due Dilligence Policy   |
| / Policy on Human Rights                          | / Sustainability Policy                 | / Compliance Policy Regarding Data Protection and Privacy   |
| / Diversity and Inclusion Policy                  | / Compliance Policy                     | / Global Sexual Harassment and Sex or Gender Identity-Based Harassment at the Workplace Prevention Policy |
| / Community Investment Policy                     | / Criminal Risk Prevention Policy       |   |
|   | / Occupational Health and Safety Policy |   |
|   | / Integrity Policies                    |   |

## 4.1. Sustainability, one of our pillars

GRI 2-6; 2-12; 2-16; 2-24; 2-28; 2-29; 3-1; 3-3; 201-2; 201-3

The commitment to sustainability permeates the entire Company: from the governing bodies, articulated through a strong sustainability governance structure, to the entire workforce, including offices, logistics hubs and stores. This has enabled us to progress towards our specific goals to generate value.

We rely on four key elements to implement our sustainability strategy: culture, collaboration, transparency and innovation.

### Sustainability culture

Sustainability is ingrained in all our processes and decisions throughout our value chain. From product design to store management, it is a shared principle. To ensure it permeates all our people, regardless of their position and function, we carry out various actions aimed at creating a culture of sustainability throughout the Company.

For example, new recruits at offices receive training in which sustainability is prominent. After an initial overview, depending on their post, they receive more thorough training in the various Group's programmes.

This training is especially important for our buying and product teams, since their actions and decisions have a direct impact on the sustainability of our products and supply chain. That is why, since 2021, we have a specific training programme: The Sustainable Fashion School, co-created alongside the University of Leeds.

Our in-store staff have become the best ambassadors of our sustainability culture and the Changemakers initiative is a clear example of the importance we place on this. Changemakers ensure that sustainability reaches every corner of the Group and also compile suggestions and concerns about sustainability from our teams and customers.

More information in section [5.1.2 Talent management](#) of this Report.

In 2022, more than 13,000 employees were trained in sustainability.

### Collaboration

In keeping with our aim of driving transformation in the textile industry, we take a holistic approach to sustainability, which includes both its integration throughout our entire value chain and collaboration with each and every one of the related actors. Hence, we take an open approach in which collaboration is a pillar of transformation. Examples of this are our engagement with entities such as the United Nations Global Compact, the International Labour Organization, UNI Global Union, IndustriALL

Global Union, The Fashion Pact, Ellen MacArthur Foundation and Zero Discharge of Hazardous Chemicals, among others.

More information in the [4.2. Stakeholder engagement](#) section of this Report

### Transparency

In line with our commitment to transparency, we share information with our stakeholders concerning our sustainability strategy, the programmes on which it is structured, our goals and the progress achieved, among other matters.

Among the foremost examples of our transparency is our annual accountability through this Integrated Directors' Report, as well as the information we regularly publish on our website. We also share a range of detailed and specific information with our various stakeholders, such as shareholders, suppliers, customers or the different organisations with which we collaborate.

### Innovation

Inditex is unwaveringly committed to innovation in all its areas, including sustainability.

We believe that in order to drive the industry's transformation, it is not enough to apply the current paradigms, but rather an innovative approach is necessary, one that strives for new solutions. In this context, the Sustainability Innovation Hub, the platform we use to find the best materials, approaches and processes, is an invaluable ally.

### Roadmap and commitments

Inditex has a Sustainability Roadmap that is structured around two main pillars: a commitment to the circular economy and decarbonisation – in line with the objectives of the Paris Agreement, and a commitment to the Sustainable Development Goals, to which we add the promotion of and respect for human rights.

## Our sustainability roadmap

### 2022

/ 100% of electricity consumption from renewable sources in all our own facilities (headquarters, logistics centres, factories and stores).

/ More than 50% of articles featuring the Join Life label.

### 2023

/ 100% of cotton from preferred sources.

/ 100% of man-made cellulosic fibres from preferred sources.

/ **Zero Waste** from our own facilities: headquarters, logistics centres, factories and stores.

/ 100% elimination of single use plastics for customers.

/ 100% collection of all packaging materials for recycling or reuse in the supply chain (Green to Pack).

### 2025

/ 100% of polyester from preferred sources.

/ 100% of linen from preferred sources.

/ 25% reduction of water consumption in the supply chain.

### 2040

/ Net zero emissions.

## Sustainability governance

The commitment to sustainability extends to all levels of the Company, starting with the governing bodies - most notably the Sustainability Committee - and permeating the entire organisation, based on a solid system of governance. Moreover, the Group has a Social Advisory Board, an external body that advises us on sustainability issues.

More information in section [6.1. Good governance, corporate ethical culture and solid compliance architecture](#) of this Report.

This governance system is based on a number of policies and strategies that guide our activities and our decision making, and that lay the groundwork to ensure that sustainability is integrated at every stage of our value chain. These include, in particular, our Sustainability Policy, which comprises the principles adopted by the Group in relations with our stakeholders, encouraging integrating sustainability practices into the business model with the premise that all its activities will be

conducted in a manner that respects people, the wider community and the environment, based upon our commitment to human rights and sustainable development.

## Policies that guarantee integration of sustainability in the operations and decision making at the Inditex Group

### / Sustainability Policy\*

/ Policy on Human Rights

/ Diversity and Inclusion Policy

/ Compliance Policy

/ Integrity Policies

/ Forest Product Policy

/ Code of Conduct and Responsible Practices

/ Code of Conduct for Manufacturers and Suppliers

/ Product health and safety standards

/ Green to Wear environmental standard (GtW)

/ Strategy on social management of the supply chain: Workers at the Centre 2019-2022

/ Global Water Management Strategy, Global Energy Strategy, and Biodiversity Strategy

\* Approved by the Board of Directors on 9 December 2015, amended on 14 December 2020 and updated on 3 November 2022. Includes:

/ Principles that govern sustainability in the Group.

/ It includes the integration of sustainability into the business model and the cornerstones upon which the organisation's value creation is established.

/ Principles governing stakeholder engagement and the identification of key stakeholders.

/ Principles upon which the communication of sustainability practices is established, strengthening the ongoing dialogue and transparency as a cornerstone for stakeholder engagement.

The commitment to sustainability by the governing bodies and the entire Company is crystallised in the definition of ambitious goals and specific targets, linking the variable remuneration of different areas within the Group to sustainability objectives.

Specifically, up to 15% of the CEO's variable remuneration is linked to compliance with sustainability policies. In addition, 25% of the 2021-2024 long-term incentive scheme for members of the management team and other key employees is based on the achievement of sustainability metrics. The variable remuneration of all office employees also factors in sustainability metrics.

## Contribution to sustainable development

When the 2030 Agenda for Sustainable Development was approved in 2015, at Inditex we aligned our sustainability strategy with its 17 Sustainable Development Goals (SDGs) and 169 targets, mindful that only by achieving all of them will be possible to eradicate poverty in all its forms, reduce inequalities



and stop climate change. This alignment has given us a holistic view of our impacts and the opportunities for promoting sustainable development and collaboration in the communities in which we operate.

In this regard, this report includes detailed information on our contribution to the SDGs, indicating at the beginning of each chapter those goals on which the actions outlined in them have an impact, as well as a quantitative summary of the main indicators that show our contribution in accordance with the

guide entitled *Business Reporting on the SDGs: An Analysis of Goals and Targets*.

① More information in section [7.1.6 Inditex's contribution to the SDGs. Main indicators](#), of this Report.



## Inditex's contribution to the SDGs. Key milestones in 2022



**3** GOOD HEALTH AND WELL-BEING  
**SDG 3**  
GOOD HEALTH AND WELL-BEING

Our commitment to promoting workplace safety, health and well-being is at the heart of Inditex's activities. This is enshrined in our Health and Safety Policy, updated in 2022.

We extend this commitment to all workers in our supply chain. Consequently, we have implemented numerous projects in this sphere as part of our Workers at the Centre 2019-2022 strategy. Notable in this regard is our work throughout this year to study, in collaboration with other stakeholders, the feasibility of expanding the International Accord for Health and Safety in the Textile and Garment Industry to Pakistan.

We have also contributed to improving the health and well-being of more than one million vulnerable people worldwide through our partnerships with Médecins Sans Frontières, Medicus Mundi and Every Mother Counts.

**5** GENDER EQUALITY  
**SDG 5**  
GENDER EQUALITY

Gender equality and women empowerment are a part of the essence of our Group. That is why we promote inclusive working environments that are free of any kind of discrimination. Accordingly, in 2022, the Global Sexual Harassment and Sex or Gender Identity-Based Harassment at the Workplace Prevention Policy was approved.

In addition, we have exceeded our target for women's representation on the Board of Directors, reaching 45.45% in 2022.

Our commitment to gender equality also extends to our supply chain, with numerous initiatives deployed as part of our Workers at the Centre 2019-2022 strategy.

Also notable are our partnerships with organisations such as Every Mother Counts, Water.org and Entreculturas as part of our Corporate Community Investment programme.

**8** DECENT WORK AND ECONOMIC GROWTH  
**SDG 8**  
DECENT WORK AND ECONOMIC GROWTH

At Inditex we prioritise nurturing stimulating, stable and safe working environments, in which equal opportunities and professional development are a reality for all, from our own people to workers in the supply chain.

Thus, in 2022 we culminated our Workers at the Centre 2019-2022 strategy, which over the past four years has benefited 2.5 million workers through its multiple projects and initiatives, developed in partnership with multiple local and international organisations.

Furthermore, we continue to promote the employment of people in or at risk of social inclusion through initiatives such as for&from, Salta and the employment programme with Caritas.

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION  
**SDG 12**  
RESPONSIBLE PRODUCTION AND CONSUMPTION

Sustainability, as a cornerstone of our business model, implies promoting responsible consumption and production practices.

In 2022, we signed a three-year commitment with Infinited Fiber Company, for more than 100 million euros, to purchase 30% of the future production volume of Infinna, a textile fibre produced entirely from discarded garments and part of our open innovation platform Sustainability Innovation Hub.

This year we also continued to ramp up our consumption of preferred raw materials, reaching 60% of total raw materials consumed.

In addition, this year we have allocated 22.5 million euros to projects that have had this SDG as their main objective, highlighting the renewal of our collaboration with Caritas to strengthen the Moda Re-initiative for the collection and reuse of clothing.



**SDG 13**  
CLIMATE  
ACTION

At Inditex we are committed to fighting against climate change. With this in mind, in 2022 we signed up to the new targets set by the United Nations Fashion Industry Charter for Climate Action. This framework encompasses commitments in areas such as emissions and raw materials.

This year we also fulfilled our commitment to renewable energy, with 100% of the electricity consumed in our facilities coming from renewable sources.

In addition, mindful of the importance of working with our suppliers in this matter, in 2022 we rolled out the environmental improvement plan to promote improvements in production processes and facilities for a better use of resources, reducing their water and energy consumption.



**SDG 17**  
PARTNERSHIPS  
FOR THE GOALS

Partnerships are key to achieving the Sustainable Development Goals and moving towards the sustainable transformation of our sector. We therefore continue to focus on collaboration, developing projects and initiatives in conjunction with numerous local and international organisations, trade unions, governments and academic institutions, among others. Particularly significant are our partnerships with the International Labour Organization, IndustriALL Global Union, UNI Global Union, ACT (Action, Collaboration, Transformation), Fashion Pact, and Cáritas, among others.

**Other notable contributions**



In 2022 we have taken part in various initiatives whose primary or secondary objective is to contribute to ending poverty. We have implemented these projects in collaboration with various non-profit organisations such as Entreculturas (Colombia, Ecuador, Venezuela, Brazil, Lebanon and Mexico), UNHCR (Ukraine) and Fundatia Hope and Homes for Children (Romania), among others.



As part of our community investment programme, we have worked throughout the year with organisations such as La Mie de Pain (France), FESBAL (Spain) o Fe y Alegría (Paraguay) on various initiatives aimed at eradicating hunger.



At Inditex we believe it is essential to promote our employees' professional development through training and internal promotions. Evidence of this is that 59% of the Group's vacancies were covered in-house in 2022. In addition, we have continued to be engaged in projects to promote access to primary and secondary education with the NGO Entreculturas, as well as university education in partnership with the universities of Tsinghua, Dhaka or A Coruña, among others.



In 2022, we made further headway on our commitment to reducing water consumption in our supply chain by 25% in 2025. We have also joined forces with the organisation Water.org to launch a new programme, Water and Climate Fund, which aims to develop projects to improve water and sanitation infrastructure, boosting efficiency and savings, and enhancing local communities' access to water.



This year we achieved our target of 100% renewably sourced electricity consumption at our facilities. We continue working on the promotion of renewable energies through projects that generate additionality to the grid, such as the VPPA (Virtual Purchase Power Agreement) signed this year and Outer Port Wind Facility in A Coruña, which is scheduled to enter into service in 2025.



Innovation is a key part of our business model and it is essential to achieving lasting industry transformation in spheres such as sustainability. We have therefore continued to promote the Sustainability Innovation Hub, collaborating with various start-ups in the search for new solutions, materials and manufacturing processes.



Within the framework of our Corporate Community Investment programme, this year we carried out numerous projects aimed primarily at reducing inequalities, most notably partnerships with organisations such as UNHCR, Red Cross, Entreculturas and Cáritas. In 2022, our investment in these initiatives amounted to 17.8 million euros.



In 2022, we worked on projects with various organisations focused on helping to achieve this goal, such as Spain's Reina Sofia National Museum of Art and Galician Symphony Orchestra or Portugal's Fundação de Serralves.



In 2022 we subscribed to the Arctic Corporate Shipping Pledge, promoted by Ocean Conservancy, that pushes for a commitment to avoid shipping routes through the Arctic due to the potential impact on the ecosystem. This year, we also began marketing a detergent that helps to reduce microfibre shedding from garments during washing, thus preventing their discharge into water systems.



In 2022, we teamed up with various organisations to develop a project to promote regenerative practices in India. As part of this objective, we also signed an agreement with WWF to carry out projects to restore forests and other ecosystems that serve as habitats for endangered species.



Inditex has a robust corporate governance and compliance system aimed at showing our firm commitment to good governance and social and environmental sustainability, and conveying that corporate ethical culture to all our stakeholders.

### 4.1.1.Human Rights

GRI 2-6; 2-24; 2-25; 2-29; 3-1; 3-3; AF1; AF5; AF7

① More information in the Human Rights Report, which is available on the Inditex corporate website.

Inditex has inseparably linked its journey to the promotion of and respect for human rights and, to this end, we have a human rights strategy aligned with the United Nations Guiding Principles on Business and Human Rights. The strategy extends to all Group operations and structures our commitment and alignment with best practices throughout the value chain.

Our human rights strategy is structured on the following three pillars:

#### Inditex's human rights strategy

Integrating the promotion of and respect for human rights throughout our value chain

##### Policy on Human Rights

Approved by the Board of Directors in 2016. It applies to the entire Group.

##### Due Diligence

- / Identifying potential impacts arising from operations and relationships.
- / Prioritising impacts.
- / Integration of the results in processes.

##### Grievance mechanisms

Underpin the identification of potential impacts and help strengthen aspects of the due diligence process.

#### Policy on Human Rights.

Inditex advocates **respect for human rights in all its operations**, a principle that is ingrained in its business strategy and fully integrated throughout the corporate model.

A clear example of this is the Policy on Human Rights, approved by the Board of Directors in 2016, which represents the first pillar of our strategy. This Policy is binding upon the entire Group and its employees and extends to any person having dealings with the Company. It is based on the Universal Declaration of Human Rights, and on the main conventions of the International Labour Organization and the Guiding Principles on Business and Human Rights, among others, and embodies Inditex's commitment to the values that these frameworks represent.

For prioritisation purposes, the Policy also identifies the rights

most directly connected with the business model.

#### Policy on human rights

##### Respect for all universally recognised human rights

Prioritisation of rights most closely related to the business model:

##### Non-labour human rights

- / Respect for minorities' and communities' rights.
- / Right to privacy.
- / Right to health.
- / Right to freedom of opinion, information and expression.
- / Right to security of the person.
- / Contribution to the fight against corruption.
- / Right to the environment and to water.

##### Labour human rights

- / Forced or compulsory labour is rejected.
- / Child labour is rejected.
- / Discrimination is rejected and diversity is promoted.
- / Respect for freedom of association and collective bargaining.
- / Protecting workers' health and safety.
- / Just, fair and favourable working conditions.

For comprehensive integration of respect for human rights throughout the Company, we consider that **collaboration and communication are key**. Every department implements its own specific actions in this regard, bonded together by the corporate human rights strategy. This integration permeates the entire Company.

The Board of Directors is the body responsible for approving the policy on human rights. The Board has a Sustainability Committee, an informative and consultative body, responsible for promoting the commitment to human rights, among other matters. The Board also has an Audit and Compliance Committee responsible for monitoring and assessing financial and non-financial risks, including human rights-related risks.

The Group also has a Social Advisory Board, a collegiate body integrated by external independent experts, which advises on human rights, among other issues linked to sustainability.

More information in section [6.1.1. Good Corporate Governance](#), of this Report.

## Due diligence in human rights

Our approach is based on developing **due diligence processes** to detect the potential impacts of our activities on human rights. By means of continuous interaction with our stakeholders and sustainability teams on the ground, these processes are kept permanently up to date. The due diligence processes that are part of the human rights strategy involve two main focus areas:

**/ Supply Chain.** Considering our business model, our supply chain is one of the priority areas of our overall value chain, in which we place a special focus on the promotion of and respect for workers' human rights. Based on the due diligence process accompanied by the organisation Shift, we drew up

our strategy **Workers at the Centre 2019-2022**, focused on the socially sustainable management of the supply chain. The due diligence process identified the seven priority impact areas into which the strategy is structured: worker participation; living wages; gender, diversity and inclusion; occupational health and safety; protection of migrants and refugees; social protection; and protection of labour rights in the production of raw materials.

More information in section [5.6.2 Workers at the Centre](#) of this Report.

**/ Value chain.** In keeping with the Guiding Principles, we extend the human rights strategy throughout the entire value chain. The design of these due diligence processes involves the different areas of the Company, such as Human Resources and Risk Management, and it is constantly reviewed and updated. At the same time, we carry out a range of activities to identify potential impacts, prevent them and mitigate them by means of integrating responsible practices into our activities in order to uphold human rights.

## Key elements for due diligence

### Communication and cooperation with stakeholders

Cooperation and collaboration are essential components of the due diligence process. Thus, there is no overstating the key importance of the relationships we forge with international organisations and NGOs, among other experts in the field and who support us in developing specific projects, training and creating and implementing our strategies. A clear example of this is our partnership with Shift, a leading centre and promoter of the Guiding Principles on Business and Human Rights. This organisation also coordinates and organises the Business Learning Program, a space in which to share practices and learning in connection with fostering human rights at companies in various sectors, in which Inditex also takes part. We also highlight our partnerships with the International Labour Organization, the UNI Global Union, IndustriALL Global Union and the UN Global Compact.

### Awareness and training

Awareness is the cornerstone for a human rights culture to flourish throughout the organisation. This culture is communicated both internally to the Company's employees, and externally to suppliers, manufacturers and other stakeholders. Particularly in the supply chain, training is complemented by our work on responsible purchasing practices, with the aim of aligning commercial teams with our commitment to sustainability and human rights.

For example, in 2022, under the umbrella of the Sustainable Fashion School, the commercial and design teams have received training that includes specific topics on human rights and their potential impacts related to the business model.

Our aim is to integrate responsible and ethical practices into everything we do, both internally and in our relations with third parties, for the promotion of and respect for human rights of all our employees and anyone we come into contact with in the course of our business.

### Grievance mechanisms

Grievance mechanisms, the third pillar of the human rights strategy, are key to improving the due diligence process, as their information helps identify potential negative impacts, and allows the Company to react and mitigate any risk in advance.

Our main grievance mechanism is the Ethics Line, which is available both to Inditex staff and to third parties with a legitimate interest. This channel enables queries and communications related to the interpretation of and compliance with the internal rules of conduct to be sent, in the strictest confidentiality and even anonymously, to the Ethics Committee so that it can analyse them and adopt any necessary measures.

① More information in section [6.1.3. Compliance and criminal risk prevention systems](#) of this Report.

Another important mechanism is the one established under the umbrella of our Global Framework Agreement with the international trade union federation *IndustriALL Global Union*. Thanks to the Global Framework Agreement, in force since 2007 and whose fifteenth anniversary took place in 2022, we reach out to workers in the supply chain through their representatives to promote social dialogue. The aim of the Framework Agreement is "to guarantee respect for human rights in the social and labour environment by promoting respect for labour standards throughout the Inditex supply chain".

① More information in the *Workers at the Centre Report*, which is available on the Inditex corporate website.



## 4.2. Stakeholder engagement

GRI 2-29; 3-1; 3-3

### How and with whom we collaborate

Our stakeholders are those entities or groups that are related to Inditex, both throughout our value chain and in the communities in which we carry out our activity and which, at the same time, have the capacity to influence our Company with their decisions and opinions. In this regard, we identify and group our stakeholders according to their link to our business model. Thus, our main stakeholders are: customers, employees, suppliers, shareholders, the community as a whole and the environment (represented by various environmental organisations).

The principles on which our relationship with stakeholders is based are enshrined in our Sustainability Policy. The first of these is **transparency**, which helps us to establish a bond of trust with them. The second is **continuous dialogue**, which allows us to respond to their demands and needs, as well as to join forces to achieve common and shared objectives, such as circularity, preserving the planet and its resources, or promoting human and labour rights.

These common principles are embodied in specific strategies, objectives and communication and dialogue channels, which are constantly reviewed and updated. Thus, we have policies that define the principles of the relationship with each stakeholder group, such as our Code of Conduct and Responsible Practices, our Code of Conduct for Manufacturers and Suppliers or the Policy on Human Rights, among others.

### Defining the stakeholder engagement strategy

#### Identification

Identification of all the stakeholders that may have dealings with Inditex throughout the value chain and in the environment in which we operate.

#### Prioritisation

Classification and determination of priority stakeholders based on our business model and value chain.

#### Definition of the strategy

A specific strategy is defined for each group of stakeholders, defining objectives, commitments and dialogue tools.

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Common elements of all the strategies:  
**Permanent dialogue and transparency**



## Inditex's main stakeholders and engagement and dialogue tools

### Inditex's main stakeholders

### Examples of stakeholders

#### Employees

Any person who works at Inditex.



/ Store employees  
/ Office employees  
/ Logistics centres employees  
/ Union representatives

#### Customers

Any person who purchases any product sold by the various brands of the Inditex Group.



/ Physical store customer  
/ Online store customer  
/ Potential customer

#### Suppliers

Companies that are part of Inditex supply chain and their respective employees.



/ Direct suppliers  
/ Manufacturers  
/ Workers  
/ Trade union organisations  
/ International organisations

#### Community

All those persons or entities that form part of the environment in which Inditex carries out its activity.



/ NGOs  
/ Governments and public authorities  
/ Academic institutions  
/ Civil society  
/ Media

#### Environment

Set of natural elements present in the environment in which Inditex develops its business model.



/ Environmental protection organisations  
/ Governments and public authorities

#### Shareholders

Any person or entity who owns shares in the Inditex Group.



/ Institutional investors  
/ Individual investors



■ Constant dialogue   ■ Biannual   ■ Annual   ■ On demand

### Relationship and dialogue tools

### Our commitments

Common	Specific
 Sustainability Committee	<ul style="list-style-type: none"> <li>■ Ethics Committee</li> <li>■ Agreement with UNI Global Union</li> <li>■ Internal training and promotion</li> <li>■ Internal communication</li> <li>■ Volunteer programmes</li> <li>■ Departments of Information Security and Data Protection and Privacy</li> </ul>
 Materiality Analysis	<ul style="list-style-type: none"> <li>■ Teams specialising in customer service</li> <li>■ Physical and online stores</li> <li>■ Social media</li> <li>■ Departments of Information Security and Data Protection and Privacy</li> </ul>
 Social Advisory Board	<ul style="list-style-type: none"> <li>■ Supplier clusters</li> <li>■ Ethics Committee</li> <li>■ Sales and sustainability teams</li> <li>■ Framework Agreement with IndustriALL</li> <li>■ Global Union Department of Information Security and Data Protection and Privacy</li> </ul>
 Strategic partnerships	<ul style="list-style-type: none"> <li>■ Social Advisory Board</li> <li>■ Commitments to NGOs</li> <li>■ Sponsorships and Patronage Committee</li> </ul>
 Corporate Website	<ul style="list-style-type: none"> <li>■ Social Advisory Board</li> <li>■ Commitments to NGOs</li> <li>■ Sustainability teams</li> </ul>
 Integrated report	<ul style="list-style-type: none"> <li>■ Annual General Meeting</li> <li>■ Sustainability indices</li> <li>■ Investor relations</li> </ul>

Common	Specific
 1 NO POVERTY	/ Respect for Human and Labour Rights
 2 ZERO HUNGER	/ Fair and decent treatment
 3 GOOD HEALTH AND WELL-BEING	/ Respect for privacy and personal data protection
 4 QUALITY EDUCATION	/ Commitment to information security
 5 GENDER EQUALITY	/ Clear and transparent communication
 6 CLEAN WATER AND SANITATION	/ Integration throughout the business model
 7 AFFORDABLE AND CLEAN ENERGY	/ Responsible design and manufacturing
 8 DECENT WORK AND ECONOMIC GROWTH	/ Respect for privacy and personal data protection
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	/ Commitment to information security
 10 REDUCED INEQUALITIES	/ Promotion and protection of core human and labour rights and international standards
 11 SUSTAINABLE CITIES AND COMMUNITIES	/ Promotion of sustainable production environments
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	/ Respect for privacy and personal data protection in the provision of services
 13 CLIMATE ACTION	/ Contribution to social and economic development
 14 LIFE BELOW WATER	/ Commitment to improving global welfare
 15 LIFE ON LAND	/ Respect for the environment
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	/ Conservation of biodiversity
 17 PARTNERSHIPS FOR THE GOALS	/ Sustainable management of resources
	/ Stopping climate change
	/ Social interest and interest common to all shareholders
	/ Fostering informed engagement

### Outstanding relationship and dialogue tools

We have had a Sustainability Committee since 2019. It is a delegated committee of the Board of Directors, whose responsibilities include the supervision of our stakeholders' engagement in the sustainability field.

On the other hand, since 2002 we have had a Social Advisory Board which acts as an advisory body on sustainability matters, and comprises independent external members, whose responsibilities include arranging and institutionalising dialogue with key stakeholders in civil society.

More information in section [6.1.1. Good Corporate Governance](#) of this Report.

Furthermore, we have established various strategic partnerships for collaboration with stakeholders to contribute to sustainable development throughout our value chain and in the communities where we operate.

More information in the document *Partnerships* available on Inditex's corporate website.

Note that the Group conducts an annual materiality analysis in order to identify and respond to those issues that are most relevant to our stakeholders. The findings of this analysis are a very valuable source of information, as they enable us not only to discover their needs and expectations, but at the same time serve as a guide to define our priorities as we progress in the creation of economic, social and environmental value.

More information in section [4.2.2 Materiality analysis](#) of this Report.

### 4.2.1. Partnerships

GRI 2-6; 2-16; 2-28; 2-29; 3-1

At Inditex we consider it essential to establish close and multi-directional partnerships with various organisations and institutions. In our view, only by joining forces with key players can we advance in the sustainable transformation of our sector in particular, and of society and the planet in general

Consequently, we maintain partnerships with governments, trade unions, academic institutions, local and international organisations and representatives of civil society, among others, to progress in sustainable development. Accordingly, we maximise our contribution to the SDGs and foster economic, social and environmental value creation.

In the last year, in addition to maintaining the strong partnerships of previous years, we have established new ones such as with Ocean Conservancy, Disability:IN and WWF, to name but a few.

More information in the document *Partnerships* on Inditex's corporate website.



## Partnerships

Positive impact on the **people** in our value chain and on the community



Protecting the **environment** and fighting against **climate change**



Transversal partnerships with **social, environmental and governance** impact



## 4.2.2. Materiality analysis

GRI 2-4; 2-12; 2-29; 3-1; 3-2; 3-3

In 2022, for the twelfth consecutive year, we performed a materiality analysis to understand the needs and expectations of our stakeholders. This exercise enables us to identify and prioritise the issues that are most relevant, both to internal stakeholders, i.e., our employees, and external stakeholders, i.e., international bodies, trade unions, NGOs, universities, local communities and suppliers, among others.

This analysis has a dual purpose. On the one hand, it enables us to identify the priorities we need to focus on in order to make progress in creating value for our stakeholders and ensure that our sustainability strategy is aligned with their needs. On the other, it helps us to determine the content to be included in this Report.

In 2022, we updated the methodology used to conduct our materiality analysis, which has a dual focus: **impact materiality**, which analyses the organisation's potential impacts on the economy, environment, and people, and **financial materiality**, which analyses how these same issues impact the Organisation. Thus, we conducted a dual materiality exercise.

To determine impact materiality, we follow the recommendations outlined by the Global Reporting Initiative in its GRI 3: Material Topics 2021 standard, which updates the methodology previously recommended in the GRI 101: Foundation 2016 standard, focusing the analysis on the significance of the Company's actual and potential impacts on the economy, the environment and people, including on human rights. According to this methodology, the materiality of impacts is determined by assessing the following parameters:

/ **Scale:** how grave or beneficial the impact is or would be.

/ **Scope:** how widespread the impact is, for example, the number of individuals affected or the extent of damage.

/ **Irremediable character:** when the impact is negative, how hard it is to counteract or make good the resulting harm.

/ **Likelihood:** for a potential impact, the chance of the impact happening. In determining this, short, medium, and long-term perspectives are taken into consideration.

In addition to this exercise, we conduct an assessment of the financial materiality of each impact in order to maintain a **dual perspective of materiality** in our analysis, in line with best practices in this area. To determine financial materiality, we survey our employees (internal stakeholders) to determine the financial scale of the impacts identified for Inditex, based on the effect they may have on future cash generation or on the Company's value in the short or medium term.

The result of this exercise is a materiality matrix where, based on the importance of its impact on the environment (x-axis - impact materiality) and its relevance for the development of the Company's business model (y-axis - financial materiality), 18 topics are shown, two fewer than last year. Both impact materiality and financial materiality are rated on a scale of zero to four points.

The decrease in the number of topics is due to the change in methodology compared to 2021, as by starting the analysis from a more granular impact perspective, impacts related to the two topics not included in this year's matrix - customer orientation and diversity, equality and inclusion - have been grouped into other topics. In particular, impacts such as pay inequality, diverse workforce and inclusive work culture, or those related to harassment and discrimination are key impacts that are now part of the quality of employment and human rights topics. In other words, these impacts continue to be material, but they have been included in other material topics.

① More information in section [7.2.3. Balance of material topics](#) of this Report.

## Process to develop Inditex's materiality matrix

### Identifying the potential and actual impacts

that Inditex has on the economy, the environment and people, including on human rights, taking as a reference:

- / Issues addressed by stakeholders over the course of the year
- / Current and future applicable legislation
- / Topics highlighted in the benchmark reporting standards
- / Material topics at other companies in the sector
- / Issues addressed in our Ethics Line
- / Trends in the industry
- / Criteria considered by financial analysts
- / Analysis of Social and Digital Media

### Importance of the impacts

obtained by calculating the variables:

#### Scale

Evaluated by surveying:

- / internal stakeholders
- / external stakeholders\*

#### Scope, Irremediable Character and Likelihood

Evaluated through interviews with members of Inditex Management and heads of relevant areas.

### Financial materiality

#### Impact on the Company's cash generation and value creation

Evaluated through surveys to employees.

### Prioritising impacts

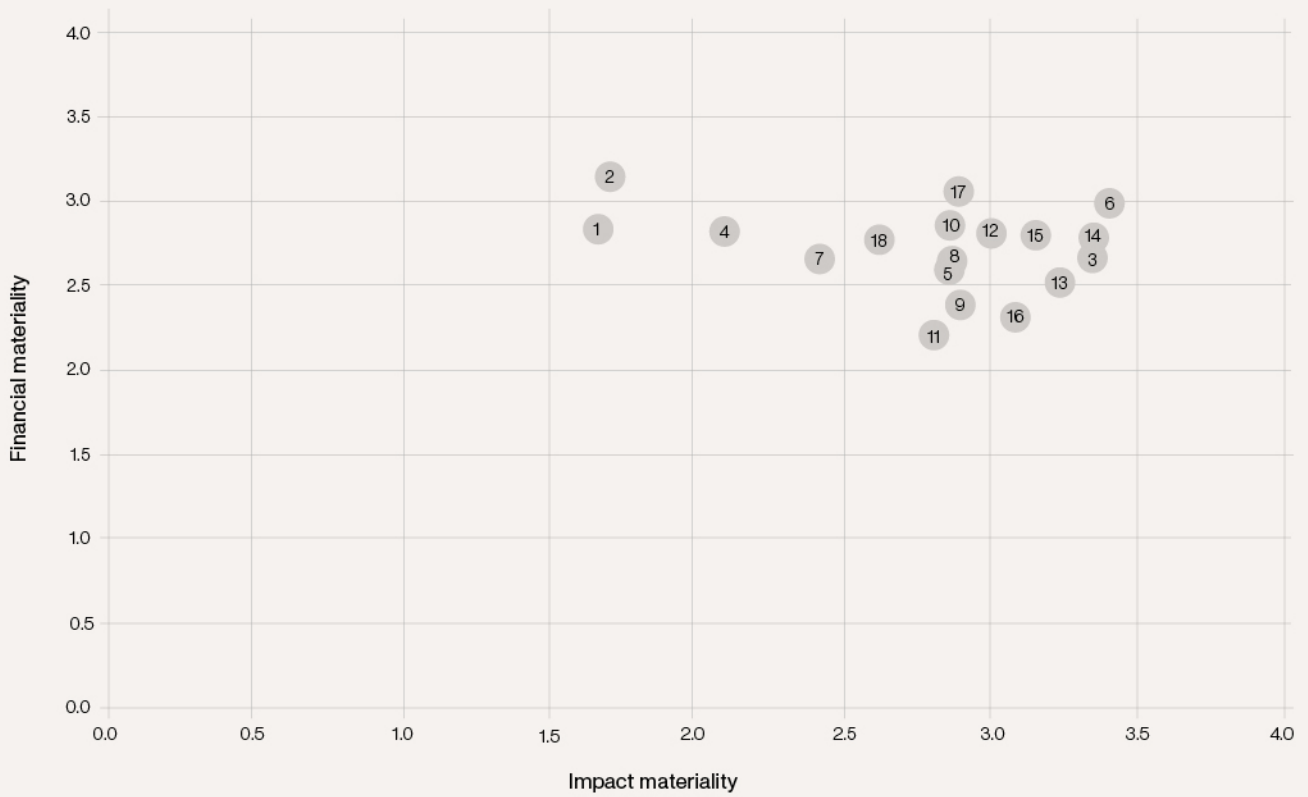
based on their significance.

### Grouping the identified impacts into 18 material topics.

**Verification of the results both internally, by the Company's management and the Sustainability Committee, and externally, by the Social Advisory Board.**

\*In 2022, representatives from more than 80 organisations of different kinds took part. The participant organisations include, among others: The Inditex Social Advisory Board, Accelerating Circularity, *Asociación Española de Contabilidad y Administración de Empresas* (AECA), AFIRM Group, Caritas, Better Work, Centre for Business and Public Sector Ethics of Cambridge, Red Cross, Ethical Trading Initiative, Fashion for Good, Entreculturas, *Fundación SERES*, *Red Española del Pacto Mundial de Naciones Unidas* (United Nations Global Compact), Greenpeace, Humane Society of the United States (HSUS), IndustriALL Global Union, *Médicins Sans Frontières* (MSF), *Medicus Mundi*, Organic Cotton Accelerator (OCA), University of Cambridge, University of A Coruña, and University of Santiago de Compostela.

## Double materiality matrix



## Material topics

- |   |                                  |   |
|---|----------------------------------|---|
| 1 Ethical behaviour and governance          | 7 Value creation                 | 13 Socially-sustainable production environments |
| 2 Risk management and control systems       | 8 Innovation                     | 14 Climate change                               |
| 3 Stakeholder engagement                    | 9 Quality of employment          | 15 Environmental footprint minimisation         |
| 4 Responsible communication                 | 10 Human Rights                  | 16 Protection of natural resources              |
| 5 Value chain transparency and traceability | 11 Safe and healthy environments | 17 Product sustainability                       |
| 6 Responsible purchasing practices          | 12 Talent management             | 18 Circularity                                  |