

Flores: Inditex Sustainability Report- Revision Explanations

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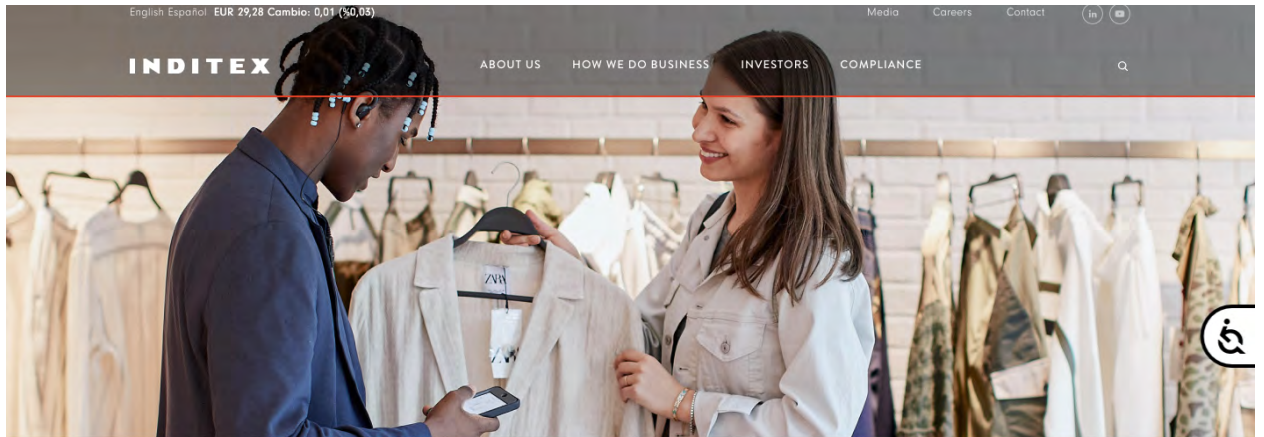
Explanations on the Revisions of Inditex's Sustainability Report for Consumers

Inditex is well known for their sustainability efforts in the apparel industry. At an early onset, Inditex developed a relationship with the United Nations (UN) in an effort to protect biodiversity, reduce consumption of resources, and combat climate change. In 2001, Inditex became a party to the UN Global Compact which focuses on Ten Principles focused on human rights, labor, environment, and anti-corruption and has since also voluntarily adhered to complying with the 17 Sustainable Development Goals (SDG) set by the UN. Inditex has continued to be a leader in sustainability in the apparel industry and has before even required to do so by European Union regulations, created robust sustainability and annual reports.

The Sustainable Finance Disclosure Regulation (SFDR) came into effect as of March 10, 2021. The purpose of this EU regulation is to impose ESG disclosure and reporting requirements that are more specific than the overbroad 2018 legislation. Inditex has previously complied with all EU regulations and is en-route to comply with the SFDR with some adjustments needed to their website(s) and to their sustainability report.

Inditex has 8 sub-brands with its most well-known and popular brand being Zara. For the purposes of this critique I focused on both the main Inditex website and the Zara website.

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Facilitate Finding Sustainability Information

The main Inditex website features a “Compliance” heading here the annual reports can be found and downloaded, but not the sustainability report. For a user to locate the sustainability report it requires either a search on the websites search bar or on a search engine. The latest sustainability report is from 2019, one was not created in 2020. The sustainability report is useful to consumers since it provides key information that a consumer may not be able to locate in over the 400 pages of the company’s annual report.

On the main website, I suggest that Inditex add a “Sustainability” heading or a “Sustainability” sub-heading under the Compliance section. I further suggest that there be an easy label for “Sustainability Report for Consumers” along with easy access to download a PDF version.

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On the Zara main website in order to locate sustainability information a user must click on the Join Life campaign tab. The only way a user would know that this is where sustainability information can be found is if they already previously knew what the Join Life campaign was about. For clarification, Inditex should create a purely Sustainability portion on their Zara website where users can find information more readily. The Annual report section on the Join Life heading is empty. Here Inditex should upload a PDF annual report and an updated Sustainability Report in compliance with the SFDR.

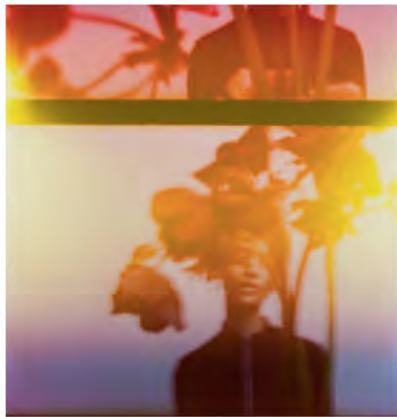
I. DESIGN & FORMAT

The design and format of the sustainability report itself is poorly done. The images seem to be the main focus of the report rather than the information itself. The font is so small it is almost illegible unless the reader zooms into it and the font color choice is poor as there is not enough contrast with the background. Timelines are featured throughout the report, but their size is small and they are placed on the margins of the page. Some of the timelines are redundant or unnecessary and those who feature important information are overshadowed by

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the sheer size of the fashion photographs. In the altered presentation, graphics are present, the color scheme is corrected, and font and visibility is produced.

TAGS: WATER BIODIVERSITY CLIMATE RECYCLING RAW MATERIALS SOCIAL PLASTIC



JOIN LIFE
WE WORK TO REDUCE THE IMPACT OF OUR PRODUCTS.

The information on the Join Life section on the Zara website is divided into collapsing subheadings and feature no related graphics. Information is difficult to locate and easy to miss with this current design. The Sustainability Report in PDF format should be directly linked and downloadable on the Zara website. I would further suggest making hyperlinks to the annual report and referencing them throughout the Sustainability Report in case the reader wants more in depth information on a certain topic discussed.

II. INDITEX COMPANY DESCRIPTION

The information provided on the sustainability report is subpar compared to the sheer amount of quality information provided in the annual reports. The sustainability report need not provide the same quantity of information as the separate annual report but should provide the same quality. Inditex does a poor job in communicating who they are as a company. In the 2019 Sustainability report they mention their business model, but do not describe or provide graphics

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that explain how their business model and corporate governance contribute to their success in sustainability.

In the revised report I include more relevant information on the business model including a graphic and explain the relevant Corporate Governance Committee, the Sustainability Committee. All of this information is important and readily available from the annual report but was not included in the 2019 report.



Our integrated and sustainable platform of physical and online stores is both the first and the final step of our business model. The unique precision and efficiency of every stage of our activity -design, procurement and manufacturing, logistics and sales, in store and online- focuses on fitting our products to meet customer demand.

We make beautiful clothes and we give choices to our customers, based on their preferences and on the latest trends, with the highest quality standards.

The company has the flexible capabilities to do this. Our proximity manufacturing model (57% of the supplying factories are located near to our distribution centers, mainly in Spain, Portugal, Turkey and Morocco), coupled with the experience in manufacturing from the company's beginnings are cornerstones of the model.

III. SUSTAINABILITY WORK & MILESTONES

The report uses a difficult to understand title, “working in sustainability” it is unclear whether this was intentional or perhaps an error in translation. I rename the section to “our work in sustainability”. The timeline in this section is important, yet it is small and illegible in the original report. I suggest dedicating a whole page to the timeline as they highlight the milestones Inditex has accomplished since 2001.

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WORKING IN SUSTAINABILITY

The pressures on our planet's limited natural resources and the challenge of climate change require prompt and concerted action from us all. We take our role seriously. We are taking wide-ranging measures to protect biodiversity, reduce our consumption of water, energy and other resources, avoid waste, and combat climate change.

We conceive our sustainability project as a work in progress. A never ending task. In 2001, Inditex signed the United Nations (UN) Global Compact, showing our early commitment towards the UN approach to social and environmental sustainability. We know that our efforts are more effective when done in collaboration with partners.

WORK IN PROGRESS

CS1 Inditex signed the United Nations Global Compact



Furthermore, there is little to no information on the measures taken by Inditex to protect the environment and function sustainably, they are only broadly mentioned. On the annual report there is information on the overall sustainability plan and a roadmap which I include in this section.

IV. RAW MATERIALS

The overall section on raw materials on the original presentation included a good amount of detail and explanations on Inditex's commitment to sustainably source raw materials. However, numbers and charts were excluded in this section even though they are provided on the annual report and are relevant information for consumers.

DESIGN SUSTAINABLE RAW MATERIALS

Garment's quality is one of Inditex main priorities. Product teams work both from a quality and a sustainability perspective.

Our teams are trained to focus on design for durability. Thus, they can prioritize the option of recycling from the same moment of garments' creation.

Also, collaboration with others is vital to improve availability of raw materials and protect biodiversity through certified and consistent action. International

WORTH IN PERSISTENCE



The timeline here is not necessary. The function of it seems to be to highlight achievements and the dates are not as important. For the year 2019 there is a lot of overlap in events and the timeline ends up making it difficult to read the information.

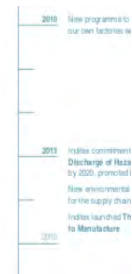
V. MANUFACTURING HEALTH AND SAFETY



Safe to Wear.

Up to two thirds of our garments comes from preferred suppliers, which have been working and growing with us for years, achieving the highest standards in our sustainability audits.

Then we aim to support our suppliers in adopting more sustainable practices in wet processes, by helping them apply the best techniques available. This could involve the choice of appropriate raw materials and regulated chemical products, improvements in technology, waste and energy management, and the upgrading of their waste-water purification systems.



Inditex does a great job in synthesizing their manufacturing processes. In this section I make the text more readable and accessible by changing font and further synthesizing information while including more information as discussed in the annual report. I would further suggest hyperlinking to the annual report as previously mentioned. Milestones are difficult to understand in the small timeline provided in the Sustainability Report and timelines are overused. I suggest a

simpler milestone graphic in this section that better illustrates to the reader Inditex's accomplishments.

VI. DISTRIBUTION & WAREHOUSE MANAGEMENT



Synthesizing the information for a Sustainability Report is recommended as done so in slide. Re-titling was done to improve reader comprehension and timeline was removed as it did not provide information that was not already synthesized. I would suggest once again hyperlinking in the subtitle section directly to the relevant section in the annual report.

VII. JOIN LIFE BRAND

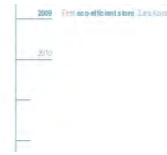
Join Life is not discussed at all in the Sustainability Report despite being the front of Inditex's sustainability movement. I suggest adding this section as it would be required by the SFDR. Furthermore, I suggest the addition of individual product disclosures scannable through the product tag with a QR code to comply with the SFDR. Inditex markets Join Life as their sustainability movement yet failed to in their Sustainability Report provide information. Hyperlinks to the section in the annual report are also suggested.

VIII. STOREFRONT EFFICIENCY



As of 2018, 86% of our stores meet this eco-efficient standard.

We are refurbishing all of our stores constructed before 2007 to ensure eco-efficiency standards, and many of our new flagship stores go much further, achieving certification for rigorous and respected sustainability standards. Buildings in Spain exemplify



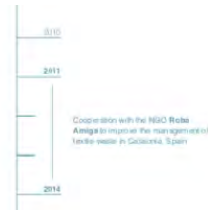
In the 2019 SR the information in this section is redundant. I synthesize the information and make it more legible to the consumer while also adding information from the annual report such as the EcoTool discussion and the effects of it on store efficiency.

IX. CLOTHING COLLECTION PROGRAM



items to a number of NGOs such as the Red Cross, Caritas, Oxfam or Salvation Army- who benefit from their resale and reuse. We have now installed containers in 1,382 stores in 24 markets around the world. More than 34 tons of garments have been collected from our stores since 2015. At the same time, this programme contributes to create and maintain more than 1,000 jobs to vulnerable people.

In Spain, Zara created the home collection programme, taking advantage of the online orders. The programme is fully operational across Spain and has also been activated in Beijing and Shanghai (China).



Inditex does a good job in discussing their clothing collection initiative in the 2019 SR. Problems arise with legibility issues and title issues. Inditex is committed to a circular economy, yet fails to mention so in their 2019 SR.

X. RESEARCH & DEVELOPMENT



programmes are already underway with researchers from the Universities of Vigo, the Basque Country and Granada, and the Polytechnic University of Valencia.

We also support the development of technology that will yield new raw materials in the future. An example is our collaboration with Lenzing, the Austrian producer of the plant-based sustainable textile fibre Tencel™ Lyocell.

The discussion on research and development as well as the mentioning of the MIT collaboration are well done and relevant to the SFDR. Synthesizing information and linking to the annual report are suggested.

XI. CONCLUSION

Overall, Inditex complies with SFDR requirements and provides good information on their 2019 SR. Changes in aesthetic are critical as well as adding more graphics and numbers to a needed updated SR which Inditex has not released. Making their websites and reports more navigable for readers will increase access to the information. Inditex has quality information in their annual reports but fails to convey that through their SR. Linking directly through clickable hyperlinks in the SR pdf to sections in the Annual Report are recommended. Similar changes are suggested for the other 7 brands under the Inditex name.