OUR COMMITMENT TO SUSTAINABILITY

INDITEX
To make progress on the creation of sustainable and environmentally-responsible products it is necessary to meet the needs, expectations and demands of our customers at every stage in our business model: from garment design and manufacture, to their distribution, sale and end-of-life management.

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 (53% of the supplying factories are located near to our distribution centres, mainly in Spain, Portugal, Turkey and Morocco), coupled with the experience in manufacturing from the company’s beginnings are cornerstones of the model.

This way, the purchases committed at the start of each season are small relative to usual practice in the fashion retail industry.

This flexibility in the sourcing model gives Inditex the ability to react swiftly to changing market circumstances and hold minimal stock. As a result, inventory surpluses are not significant.

The tiny percentage of surpluses are sold through authorized third parties, donated to charities and also used for R&D into projects to foster up-cycling technologies. Ultimately the whole production is used and no single unit is disposed.
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 take wide-ranging measures to protect biodiversity, reduce our consumption of water, energy and other resources, avoid waste, and combat climate change.

Our continual quest for innovation enables us to be better and more efficient while also lessening our impact on the environment. This is a never-ending process and while continuously incorporating state-of-the-art sustainability practices, we must always do more.

Framed by that vision, we have been devising multi-year environmental plans since 2002. Most recently, at the 2021 Annual General Meeting, Inditex’s executive chairman, Pablo Isla, unveiled ambitious environmental targets for delivery in the coming years and with the net-zero emissions target set forward for 2040.

Among those targets, it is worth highlighting that of having 100% of the cotton used in our garments will be organic, more sustainable or recycled in 2023, two years ahead of schedule. In addition, we will only use organic linen and recycled polyester by 2025.

By 2022, 100% of the electricity consumed by the Group at any of its facilities (head offices, logistics platforms and stores) will come from renewable sources.

The Group has been integrating its sustainability plans into each step in the product life cycle and each link in the supply chain: from design and sourcing to manufacture, quality control, logistics and online and in-store sale.

Thanks to new technology developments, we have implemented a number of policies and projects aimed at continuously improving the sustainable management of our supply chain from a triple perspective: social, environmental and product health and safety.

These plans also include investments in sustainability R&D to foster innovation in this field and incorporate new technologies, processes and sustainable raw materials to our activities and our garments.

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Inditex works in a number of ways to boost clothing longevity with a focus on product quality, as well as a commitment to training all of our product teams in sustainability.

Through this training, we are focused on design for recyclability and emotional durability to strengthen the value that customers place on their purchases. This includes guidance for designers on the selection of materials and the design of our products.

Also, collaboration with others is vital to improve availability of raw materials and protect biodiversity through a unified and consistent action. International groups we are partnering with include the Better Cotton Initiative, Organic Cotton Accelerator, Sustainable Apparel Coalition and Textile Exchange, among others.

We pay special attention to the raw materials we choose in the making of our products, as these decisions can have a direct impact on biodiversity:

- **Growing use of sustainable cotton.** In 2020, the Group used over 73,000 tonnes of sustainable cotton in its clothing, up 91% from 2019.

- **Growing use of recycled fibres and recycled polyester.** In 2020, we used over 9,000 tonnes of recycled polyester, 80% more than in 2019.

- **Using only sustainable certified (PEFC or FSC) sources for our wooden furniture and paper products, such as bags, labels and office paper.**

We created the Join Life label in 2015 to foster the use of more sustainable raw materials, such as organic cotton, recycled polyester and Tencel™ Lyocell, and prioritise more water- and energy-friendly processes. In 2020, 35% of all our garments featured the Join Life label.
Change only comes through continuous improvement of our supply chain. We work in close partnership with our suppliers to make sure they and their factories comply with the most stringent requirements in order to fulfill our commitment to customers through product health and safety and also to the environment. With this aim, we audit the compliance with these commitments even before a supplier begins working with us.

During the production process, this is ensured through the implementation of two standards: Clear to Wear and Safe to Wear. We ensure ongoing compliance through audits, corrective action plans and capacity building.

Up to two thirds of our garments come 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.

With regards to the best practices in the use of chemicals we have created 'The List' by Inditex, a tested list of the best chemicals that can be used in the manufacturing of clothes, both to ensure health and safety and also clean production processes.

We verify our progress towards zero discharge against our latest standard for waste-water quality, which we continually review with our partners.
100% of the energy used at our logistics facilities in Spain comes from renewable sources. In that manner we are making progress on our commitment using energy efficiently in all our processes. We have pledged that 90% of the energy used across all of our distribution centres, offices and stores will come from renewable sources by 2021.

We continuously upgrade all of our logistics platforms with more efficient lighting sources and insulation materials. We are installing more advanced environmental management equipment and using bicycles and electric vehicles for internal transportation purposes. And we are committed to consuming renewable sources of energy.

Our new logistics facilities are built and managed to the highest international standards of sustainability and boast the US Green Building Council’s LEED seal.

In terms of packaging management, we have our Green to Pack program to ensure we minimize packaging waste. The program is aiming to reduce waste, mainly boxes and plastics:

- Boxes are used up to six times
- FSC certified
- Recyclable
- Optimized for transport

/Plastic
- Use of recyclable plastics
- Reduction of plastics

We are also working hard to optimise truck loads in order to reduce the number of vehicles needed to distribute our merchandise (1,600 fewer in 2020). Last year, that effort translated into a reduction in kilometres travelled of 2.7 million km, along with the associated emissions savings.

We remain committed to delivering our Zero Waste target in our manufacturing and logistics operations in 2023. In 2020, 91% of the waste generated at our distribution centres (mainly cardboard boxes, plastic, wood, security tags and clothes hangers) was reused or recycled.
STORES
ECO-EFFICIENCY & SUSTAINABLE PACKAGING

Our stores are the physical expression of our sustainability pledges as they are fitted with next-generation technology to facilitate energy savings. We have compiled an Eco-efficient Store Manual to ensure compliance with our efficiency and sustainability requirements. That initiative is helping us lower the emissions associated with our stores by saving energy and reducing waste generation.

In 2020, we completed our eco-efficient store programme in all brands. Zara was in 2019 the first Inditex brand to bring all of its stores in line with these guidelines.

In addition, the Group has a centralised consumption management platform, known as Inergy, whose purpose is to monitor the network of connected stores to help them deliver the energy consumption reduction targets established in our Sustainability Roadmap. By the end of 2020, 60% of the Group’s stores were connected up to the Inergy platform.

With regards to the packaging, all our brands have removed plastic bags.

Zara bags are now 100% recycled and our online boxes come from recycled cardboard—some from our own distribution boxes—and our envelopes are equally FSC paper certified.

100% of the energy consumed by the servers and offices of Zara.com came from renewable sources. Additionally, to accommodate the growth of our website, we have broadened our server structures with technologies that improve energy performance by using more efficient power sources or better systems to dissipate heat.

Inditex created the Eco-efficient Store Manual.

All furniture and paper products have sustainable forest certification (PEFC or FSC stamps).

First eco-efficient store: Zara Korai.

Global sensitization initiatives such as WWF Planet Hour.

Eco-label pilot project with the European Union and the Sustainable Apparel Coalition (SAC).

Zara.com launched “Boxes with a past”.

Inditex joined the New Plastics Global Economy Commitment, championed by the Ellen MacArthur Foundation, in collaboration with the United Nations UN Environment Programme (UNEP).

Our eco-efficient store programme has been completed.

All our bags are made of 100% recycled paper.
We continue to work to extend the lifecycle of our products through our used garment collection programme for the reuse and recycling of used garments through containers in store, as well as at-home collection, and street-side containers in Spain.

These programs allow customers to donate unwanted items to a number of NGOs such as the Red Cross, Caritas or Oxfam who benefit from their resale and reuse. At 2020, the rollout of this program has been completed. Currently, it is operating in a total of 94 markets.

More than 62,000 tons of garments have been collected since 2015. At the same time, this programme contributes to create jobs to vulnerable people.

In addition, Zara rolled out an at-home used clothing collection program that leverages online delivery operations. That initiative is already fully operational nationwide in Spain and is also available in several cities in China, London (UK), Paris (France) and New York (US).

CLOTHES COLLECTING PROGRAM
We collaborate with prestigious institutions, such as the Massachusetts Institute of Technology (MIT), to support the advancement of textile recycling processes and technologies in line with our circular economy strategic focus. Specifically, we have fulfilled our Global Fashion Agenda commitment for 2020 to fund textile recycling initiatives by investing USD 3.5 million (EUR 3 million) to support research in this area.

In 2019, we signed an agreement with the MIT, establishing the Inditex Materials Science and Engineering Fellowship Fund with the MIT Department of Materials Science and Engineering, funded with USD 1 million (EUR 857,000). This fund aims to promote sustainability research. In 2020, the second triennial edition of the MIT-Spain Inditex Circularity Seed Fund was launched through the MISTI (MIT International Science and Technology Initiatives) programme as a continuation of the first edition (2017-2019). This second edition of the programme aims to drive research in areas such as:

- New textile recycling techniques.
- Creation of new fibres with sustainable technologies.
- New methodologies to improve maintenance and extend the life of garments.
- Optimisation of garment biodegradability.
- Development of new trace systems at the fibre level.

This fund promotes collaboration in the field of circularity between MIT faculty and student research teams and their counterparts at Spanish universities and research institutions. Inditex has contributed USD 450,000 (EUR 386,075) for this second triennial edition, covering the 2020-2022 period. The objective of the main project financed by the fund is to improve the textile-to-textile circularity of mixed fibres, one of the greatest challenges at present.
Milestones of 2020

- Eco-efficient store programme completed.
- Removal of plastic bags in all brands.
- Total rollout of our clothing collection programme.
- 35% of Join Life garments (exceeding the 25% target).
- Zero Discharge Commitment: implementation of the best wet processes in the entire supply chain.
- Canopy Commitment: 100% certified forest friendly fibers.
- 100% of the designers trained and specialized circularity (Global Fashion Agenda Commitment).
- 80% of renewable energy in all our facilities (headquarters, logistics and stores).

2022

- +50% Join Life garments.
- 100% renewable electricity in our facilities (prior target of 80% in 2025).

2023

- 100% sustainable cotton (organic, BCI and/or recycled cotton). (2 years ahead)
- 100% sustainable cellulosic fibers, supporting the Roadmap towards a responsible viscose.
- 100% single-use plastic free to costumers.
- Green to pack: 100% of all packaging materials collected for reuse or recycling in our supply chain.
- Zero Waste from our facilities.

2025

- Cutting by 25% the water used on the whole supply chain.
- 100% sustainable or recycled linen and polyester.

2030

- 90% reduction in our scope 1 and 2 emissions (compared to 2018).
- 20% reduction in emissions from our supply chain (compared to 2018).

2040

- Zero net emissions.