

new sustainability commitments

INDITEX

Fashion is so much more than clothes. Fashion is an outlet for self-expression, for the creation of communities, stamping one's identity and following - or breaking from - the latest trends. It is an enabler of change, allowing us to make our own rules and display our convictions without breathing a word.

At Inditex we want to be agents of change. We believe in fashion's transformational power and we go to lengths to make the fashion industry a positive force for people and the planet. The pressure on our natural resources and the challenge implied by climate change warrant a swift response by all.

Our goal is to continue to offer our customers more environmentally-friendly clothing and advance towards a circular model - in which waste is turned into a new input - and zero net emissions.

We want to contribute to the battle against climate change by aligning our sector with the United Nations' recommendations and aspirations, so helping to protect the planet and its inhabitants.

Furthering the work done in previous years, we have set new and demanding targets for this decade with which we are seeking not only to transform our products and supply chain, but also to spearhead decisive change in the textile industry.



New sustainability commitments

“The new sustainability targets announced today mark a qualitative step forward in our roadmap towards profitable and responsible growth.

These ambitious new goals will unquestionably help transform and improve the textile sector and industry and reflect the hard work we have been doing across all areas of the company in recent years”.

Óscar García Maceiras, CEO of Inditex

“Innovation and collaboration are the cornerstones of Inditex’s efforts to configure an increasingly sustainable value chain.

We have identified several priorities for cutting our emissions by over 50% by 2030 so as to attain zero net emissions by 2040: using materials with a smaller environmental footprint, transforming our supply chain, extending our circularity projects and helping improve biodiversity.

Among other milestones, by 2030, 100% of our textile products will be made exclusively from materials with a smaller environmental footprint.

Also, in line with our biodiversity commitments, we will support projects for the protection, restoration or regeneration of up to 5 million hectares by 2030”.

Javier Losada, Director of Sustainability at Inditex

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Our transformation roadmap

At Inditex we are advancing towards a sustainable model, reducing the environmental footprint of our products and taking new steps in configuring an ecosystem which generates positive impacts for the planet and its inhabitants.

We are etching out the path we need to follow to achieve these goals, analysing the textile sector in all its manifestations in meticulous detail: the materials we use, the processes needed to manufacture our products and the suppliers we work with. We are partnering with environmental experts, third-sector organisations, unions and non-profits to analyse our impacts on our business communities, whether through our stores or the manufacture of our garments.

We are analysing our emissions, water consumption, the chemical products we use, the waste we generate, our use of natural resources and our impacts on communities and ecosystems in fine detail.

We are working to identify and develop solutions for these impacts and we are

engaging with all our stakeholders to define our roadmap for transforming our business and that of the entire industry.

To do that we are setting targets, which bind us to a roadmap based on continuous improvement. They help us visualise our final destination and the stops we need to make along the way. We want our ambitions to stimulate innovation and attract talent and the resources needed to transform our industry. We did it in 2019, when we established targets around fibres, waste and decarbonisation. We added new targets in 2021 and now we are updating those targets and making new commitments.

Sustainability is an ever-evolving task in which science and innovation are set to continue to open new doors for achieving a circular and more responsible model.

Framed by that approach, we have set new targets along our roadmap for the rest of the decade, a roadmap that will take us to net zero by 2040.





Our new commitments

2025

- / Circularity services such as **Zara Pre-Owned** in **key markets**.
- / Reaching **three million people** in the supply chain via the **Workers at the Centre** strategy, fostering progress in social dialogue, living wages health, respect and resilience.

2030

- / **Reducing our emissions by over 50%** (in our own operations and our value chain).
- / Only using **textile raw materials** with a **smaller environmental footprint**, so-called preferred fibres¹.
- / **Protecting, restoring, regenerating** or otherwise improving biodiversity across **5 million hectares**.

2040

- / **Zero net emissions**, reducing our carbon footprint by at least 90% by comparison with 2018.

¹The Textile Exchange, a non-profit, defines a "preferred" material as a "fibre or raw material that delivers consistently reduced impacts and increased benefits for climate, nature, and people against the conventional equivalent, through a holistic approach to transforming production systems".



Climate change

These commitments mark fresh progress and are designed to align our company's performance with the pathway for keeping global warming within 1.5 degrees Celsius.

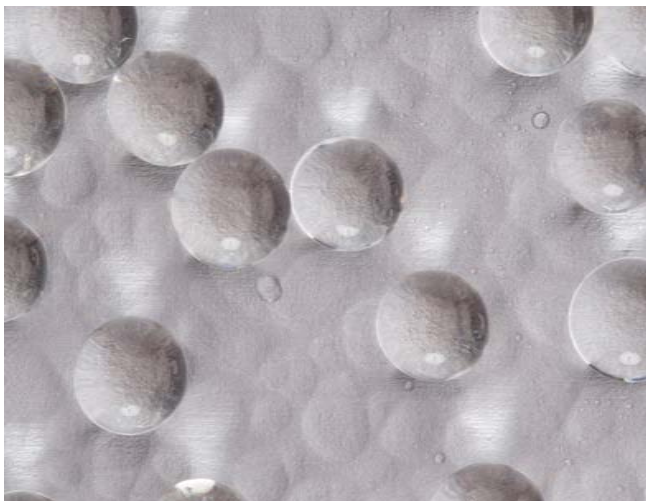
With these climate change targets we want to send a message to the industry, to our suppliers and to all our stakeholders regarding the need to move forward with this transformation, addressing the impact of the raw materials we use, banishing fossil fuels, fostering renewable energies and using natural resources more efficiently.

Our decarbonisation strategy is articulated around the most recent available scientific knowledge. Since we established our net zero commitment and presented our decarbonisation targets for 2030 to the Science Based Targets initiative (SBTi) just three years ago, scientific knowledge has evolved, prompting us to update our strategy in order to embrace the newest recommendations.

We have presented SBTi² with our updated strategy for reducing the emissions associated with our activities by more than 50% in 2030, structured as follows:

- / **Reducing our absolute scope 1 and 2 emissions** (i.e., our own emissions) by 90% with respect to 2018 levels.
- / **Reducing our absolute scope 3 emissions** (i.e., those emitted by our value chain) by 50% with respect to 2018 levels³.

This will move us in the right direction for achieving net zero emissions by 2040. We will do this by effectively cutting our emissions by 90%. Around 10% of our greenhouse gas emissions are hard to eliminate. Those will be neutralised or offset via carbon absorption initiatives.



² The science Based Targets Initiative (SBTi) was established in 2015 as a partnership between the CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF) to help companies set targets for reducing their emissions in line with the consensus around climate science and the Paris Agreement goals.

³ For the purposes of this target, our value chain includes the following categories of scope 3 emissions: purchased goods and services (category 1), fuel- and energy- related activities (category 3), upstream transport and distribution (category 4), waste generated in own operations (category 5), business travel (category 6), employee commuting (category 7), end-of-life treatment of sold products (category 12) and franchises (category 14).

Lower-impact fibres

The extraction and processing of the raw materials we use accounts for nearly 30% of our emissions. In addition, we use natural resources such as water and soil, as well as chemical substances. Hence the importance of making progress on the use of materials that deliver reduced impacts, in line with the definition of preferred fibres provided by benchmark organisations such as the Textile Exchange.

To that end, in recent years we have been working to drive the use of organic and recycled cotton, viscose from preferred sources and European linen.

That foundational work positions us to take a new step: by 2030, 100% of our textile products will only use materials that deliver a lower impact.

This commitment is particularly important as textile raw materials represent more than 90% of all the materials used by Inditex. The remaining 10% are non-textile materials such as iron or porcelain, none of which individually accounts for more than 0.5% of total purchases.

How will we deliver this target?

- / We estimate that around 25% of the textile fibres we use will be made from next-generation materials that do not yet exist at an industrial scale, which is why we are investing in their development.
- / We are aiming to have 40% of the textile fibres we use come from conventional recycling processes.
- / Another roughly 25% will come from crops grown using organic or regenerative farming practices.
- / The remaining 10% will be made from other preferred fibres aligned with the yardsticks set by benchmark organisations.



/ Lower-impact fibres

Boosting recycling

Increased use of recycled materials prevents the extraction of new raw materials and reduces the generation of waste. Recycling leads to a reduction in the consumption of natural resources, such as water and fertile soil, and helps conserve the environment and reduce emissions.

We are working to ensure that by 2030, 40% of our fibres originate from conventional recycling.





/ Lower-impact fibres

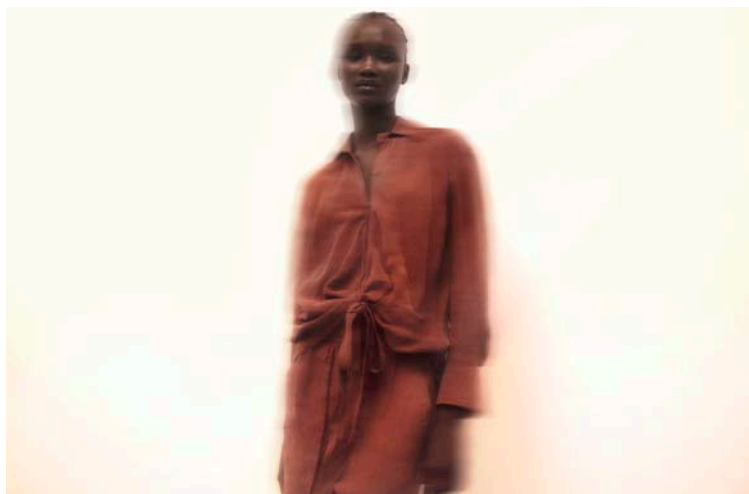
Next-generation fibres

Today's recycling technology presents significant limitations, as some fibres and material blends cannot be turned into new raw materials. That is what prompted us, back in 2020, to strike strategic research alliances with chemical industry and set up our Sustainability Innovation Hub with the goal of nudging the industry towards new materials, manufacturing processes and initiatives for improving product circularity, use and end-of-life options.

We collaborate with over 200 start-ups and chemical industry leaders to introduce new materials, enhance production processes and improve recyclability or traceability traits, among other things. As a result, we have launched a number of collections with start-ups including Nextevo and Renewcell, as part of an ongoing partnership effort.

We are working to ensure that by 2030, 25% of the textile fibres we use are next-generation materials that the chemical industry, specialists in textile recycling and innovative start-ups are currently researching and developing. These materials will deliver a lower impact on the environment than the best alternatives available today.

Achieving this target will require a major effort to scale up the new fibres which are currently scarce: many are being pilot tested and production is extremely limited.





To ensure these solutions have market-wide impact, thus benefitting the industry as a whole, we are collaborating with these start-ups in the following ways:

/ **We are sharing our technical know-how** about the fabrics needed to make the best fashion collections. Our design and buyer teams are participating in this process, sharing their first-hand knowledge of products and customer demands. Our suppliers are also involved, helping us to transform the new fibres into fabric. All these steps are key to facilitating the commercial and industrial development of these fibres.

/ **Direct investments:** raw material blends pose one of the main challenges faced by existing recycling systems. In 2022, we put equity into CIRC, a start-up whose technology is capable of transforming polycotton blends, one of the most common in the sector, into a new recycled raw material. As a result, in 2023, Zara, in partnership with CIRC, launched its first collection made from recycled polycotton blends.

/ **Purchase commitments:** last year we struck an agreement with Infinited Fiber under which we have committed to purchase 30% of future Infinna™ production for three years. Infinna™ is a recycled fibre made by this company entirely from textile waste. This purchase commitment, valued at over €100 million, has been crucial to Infinited Fiber's plans for scaling up its recycling technology by building its first industrial scale factory.

Organic and regenerative agriculture

We want to boost organic and regenerative agriculture as crops grown using these practices deliver improved soil quality and biodiversity gains, create more resilient communities, streamline water management and reduce emissions.

In the specific case of cotton, one of the fibres most widely used in our industry, a mere 2% of all of the cotton used worldwide is organic. The percentage of cotton grown using regenerative farming practices is even lower. We are working with organisations such as the Organic Cotton Accelerator (OCA) to scale up these practices.

To meet our goal of having 25% of fibres come from crops grown using organic and regenerative practices, we are supporting projects in different parts of the world. For example, we joined Conservation International's Regenerative Fund at the start of this year, donating €15 million with the aim of helping scale up these practices.

We are also working with Action Social Advancement (ASA), together with the Laudes Foundation, IDH, The Sustainable Trade Initiative and WWF India to foster regenerative agriculture, restore ecosystems and improve community well-being in an area of 300,000 hectares in the states of Madhya Pradesh and Odisha (India).





Transforming garment manufacturing

If the textile sector is to become more sustainable, we need to transform our supply chain and the way we make our clothes, as the vast majority of the impacts from our activities take place in our supply chain.

We must continue to involve the entire production chain in order to ensure that the processes we use are as responsible as possible and that our industry reaches its full potential as an engine of economic growth and community development.

At Inditex, we operate a strict compliance programme, articulated around assessment and continuous improvement in all of our operating markets and underpinned by a single social strategy which we call “Workers at the Centre”, a programme designed to foster the well-being and empowerment of the people populating our value chain.

Workers at the Centre

We have updated this strategy for 2023-2025, taking a holistic approach to ensure we respond to the needs of the people populating our supply chain, especially those who are more vulnerable.

We continue to make progress on worker engagement, while taking new steps in preventive health programmes and pushing for safe and respectful workplaces free from discrimination in any of its forms.

In parallel, we are pursuing initiatives to make the industry more resilient and ensure a fair transition so that suppliers and their workers can tackle the challenges facing the sector, such as the transition to more environmentally-friendly fibres and processes, the emergence of new technologies and other social changes that could affect their personal and professional development.

These programmes will reach three million people between 2023 and 2025.





/ Transforming garment manufacturing



Environmental transformation

Our supply chain Environmental Transformation programme is articulated around plans for collaborating with suppliers and improvement plans with a specific focus on water, discharges, chemical product management and energy.

To assess how our manufacturers are progressing, we rely on a network of experts who analyse the viability of these actions and

validate their implementation together with our in-house teams, who are specialised in specific matters such as the management of chemical substances.

We constantly raise the minimum demands and requirements for forming part of our supply chain and reinforce relations with suppliers who demonstrate a willingness and ability to improve.



Best available techniques

To advise and accompany our suppliers on the use of clean energies and other more efficient technologies, we have a catalogue of Best Available Techniques, which is open to the industry, so that manufacturers can learn about the solutions already available in a number of areas.

Impetus for clean sources of energy

As is set down in our endorsement of the Industry Charter for Climate Action under the auspices of UN Climate Change, from 2023 on we will no longer certify any new suppliers or manufacturers who use coal as a source of energy, while encouraging the rest of our suppliers to switch to renewable sources so that none of our suppliers is using coal by 2030.

Reducing our water consumption

The Care for Water programme, launched in 2021, is designed to support facilities that have already been certified as managing water well so that they can advance to a standard of excellence. Participating facilities must draw up an action plan with measures for the adoption of new and more efficient technology, optimisation of manufacturing processes, reuse and recycling of wastewater and installation of closed water circuits.

By driving these technologies across the factories we work with, we have been able to cut our supply chain's water consumption by 17% by comparison with 2020 levels. Our commitment, announced in 2021, is to increase that percentage to 25% by 2025.

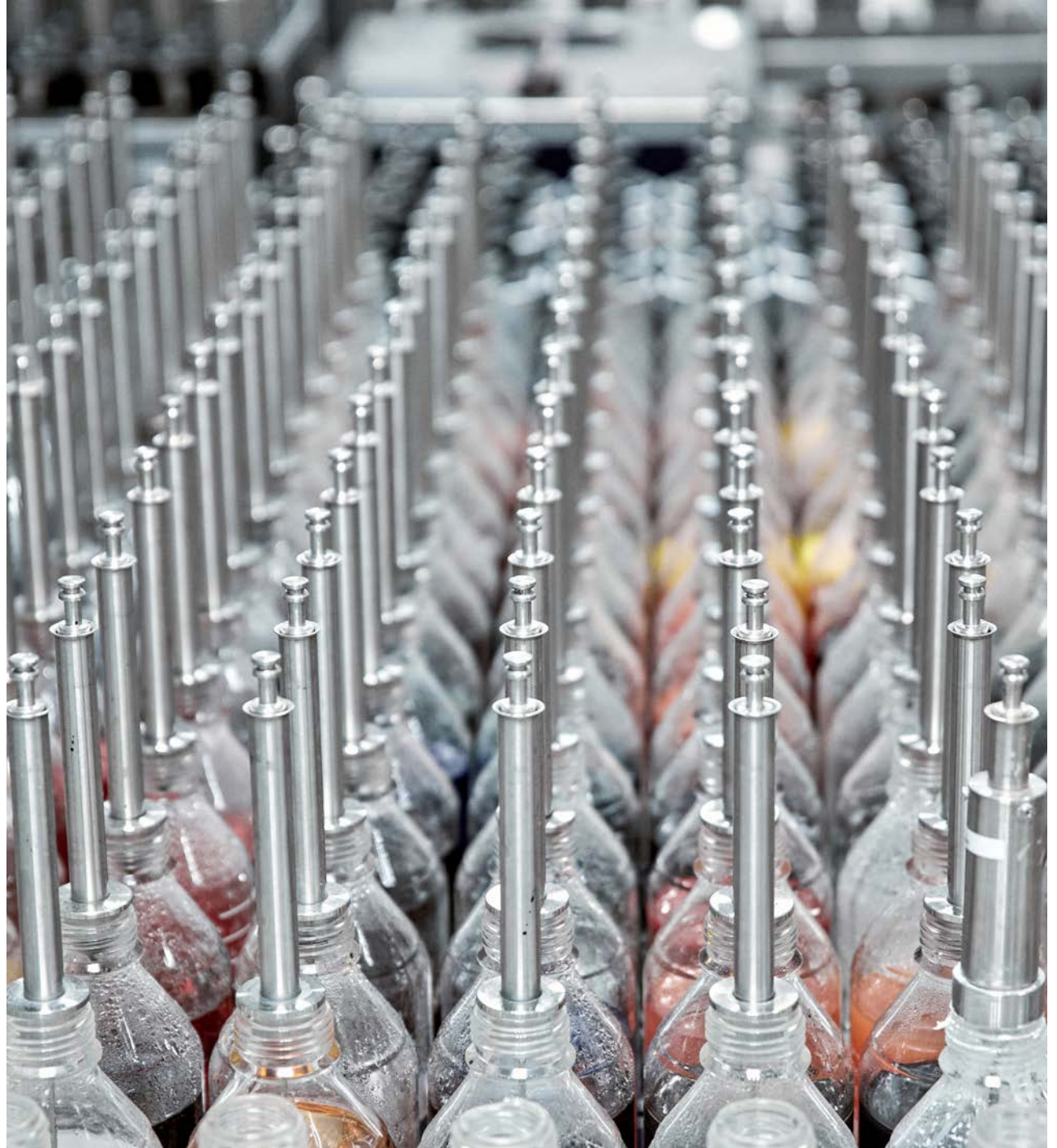
/ Transforming garment manufacturing

Use of chemical products

Our promise is that we will only use substances that are safe for people and the planet.

In 2013, we created The List by Inditex, a pioneering initiative in the textile and leather industry that, by collaborating with the chemical industry, seeks to classify and improve the chemical products used to make our products.

Framed by our commitment to helping to transform our sector, we have made The List by Inditex programme available to the entire industry through the ZDHC (Zero Discharge of Hazardous Chemicals) platform whose Roadmap to Zero we have endorsed.



Innovation around more efficient processes

We are working with other industries to develop new, lower-impact technologies and production systems. A good example is the joint development, with CHT Group, of PIGMENTURA by CHT, an innovative dyeing solution which reduces water consumption by 96%.

That novel development, the first outcome of our research alliance with CHT, which dates to 2020, is based on pigment dyeing, which eliminates the need for water during the washing and drying phases, while also reducing the energy needed for heating during the process. This translates into

energy savings of up to 60% by comparison with alternative continuous dyeing techniques.

In parallel, we are working with BASF to devise and fine-tune the first cold industrial wash system, SOKALAN HP 56 A, and with Pulcra Chemicals to develop the first combined pretreatment and dyeing system for cotton and polycotton, Susteneri by Pulcra. Both technologies deliver, without the need for new investment, a considerable reduction in water and energy consumption during exhaust dyeing.

Expanding circularity

We are aware that our responsibility does not end in our stores and we want to help our customers extend the life of their garments and advance towards a circular model.

That was behind our decision to launch Zara Pre-Owned in 2022, a pioneering platform accessible from Zara stores and the Zara website and mobile app, which offers repairs, customer-to-customer sales and the possibility of donating used clothing.

/ **Repair:** customers can use this service to have any used Zara garment from any previous season mended. The services on offer include a wide range of repairs, from the replacement of buttons and zips to the mending of seams. Customers can arrange their repairs wholly on line or at the Zara store of their choice.

/ **Sale:** Zara Pre-Owned also enables the sale of Zara clothing from any collection over a secure platform. The sale area of the platform is organised by product category and provides detailed information about each item, including the original Zara information for the item and current photos provided by the seller.

/ **Donation:** customers can ask to have their used clothing picked up at their homes for donation to non-profits which then sort the products for reuse whenever possible or recycling if they have reached the end of their life cycle, supporting projects in local communities. The donation service accepts all brands.

Currently, Zara Pre-Owned is available in the UK and will be implemented in France, Germany and Spain this year. **Our goal is to introduce circularity services such as these in key markets by 2025.**





Contributing to biodiversity

Biodiversity plays a crucial role in water purification, soil fertility, crop pollination and climate regulation. It is therefore fundamental for ecosystems to function correctly and for the preservation of life. Protecting and restoring nature is essential to avoiding climate change.

We have committed to protect, restore, regenerate or otherwise improve biodiversity across 5 million hectares.

Framed by this commitment, we have already earmarked €15 million to Conservation International's Regenerative Fund to help scale up regenerative farming and grazing practices.

We have also sealed strategic alliances with organisations of the calibre of WWF, to which we have pledged over €10 million for the restoration of endangered ecosystems in Europe, Asia, Africa and South and Central America.

The pressure on our planet's natural resources, the need to advance towards fairer and more resilient societies, the challenge implied by climate change and the biodiversity crisis require a swift response by all.

These ambitious targets will take us to the next level in the use of materials with a lower impact, especially recycled and next-generation fibres, accelerate the social and environmental transformation of our supply chain, help our customers extend the life of their clothing and bring about improvements in our natural ecosystems.

Through these commitments, we are not only striving to transform our business and how our garments are made, but also looking to drive decisive change in the textile industry as a whole.

INDITEX