INDITEX

Renewable Electricity

Sustainable Procurement Criteria

Information

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1. Purpose

The present Renewable Electricity Sustainable Procurement Criteria, (hereinafter, the "**Criteria**" or the "**Document**") details the list of considerations taken for a lower-impact procurement of the electricity consumed by the own operations of the Inditex Group.

Through this Document, the Inditex Group commits to work for the promotion of electricity procurement practices that avoid and reduce pressures on the environment, while safeguarding human rights and contributing to the development of the energy infrastructure, and scalability of solutions-, taking as a reference initiatives aimed at the promotion of renewable sources, as well as alternative fuels and other energy vectors.

2. Definitions

Affected stakeholders

The people who are, or could be, impacted by a company's activities and its business relationships across its value chain.

Air pollutant

Any agent or combination of them, including any physical, chemical, biological, radioactive substance or matter which is emitted into or otherwise enters the ambient air and can, in high enough concentrations, harm humans, animals, vegetation or material.

Association of Issuing Bodies (AIB)

Organisation that promotes the use of a standardised European Energy Certificate System (EECS), based on structures and procedures to ensure the reliable operation of international energy certificate systems.

CO_2e

Metric measure used to compare the emissions from various greenhouse gases based upon their global warming potential.

CO_2/kWh

Amount of carbon dioxide (CO_2) released to produce a kilowatt hour (kWh) of electricity

Emission factor (EF)

Representative value of the quantity of a pollutant released to the atmosphere for a specific activity.

Energy Attribute Certificates

Variety of contractual instruments that embody the generation attributes of one megawatt-hour (MWh) of energy. They may also include information about the location of the facility that generated the unit of energy, when that facility began operations, and when the unit of energy was produced. EACs are an established tool for maintaining transparency and clarity in energy sector transactions.

Final Investment Decision (FID)

The point in the capital project planning process when the decision to make major financial commitments is taken.

Greenhouse gases (GHGs)

Gaseous components that contribute to the greenhouse effect by absorbing infrared radiation. Carbon dioxide and chlorofluorocarbons are examples of greenhouse gases.

Global Warming Potential (GWP)

Relative potency, molecule for molecule, of a greenhouse gas, taking account of how long it remains active in the atmosphere. The global-warming potentials (GWPs) currently used are those calculated over 100 years. Carbon dioxide is taken as the gas of reference and given a 100-year GWP of 1.

IUCN

The International Union for Conservation of Nature, an international organization working in the field of nature conservation and sustainable use of natural resources.

NO_x

Nitrogen oxides usually used to include two gases: nitric oxide (NO), and nitrogen dioxide (NO_2)

Power Purchase Agreement (PPA)

Long-term contract between an electricity generator and a customer, usually a utility, government or company. I

Physical power purchase agreement (Physical PPA)

Type of purchase agreement that can characterize purchases from on-site projects owned by third parties, off-site projects to which there is a direct line, or off-site grid-connected projects.

Renewable energy

Energy derived from natural sources that are replenished at a higher rate than they are consumed.

SO_x

Sulphur oxides, usually sulphur dioxide (SO_2) and sulphur trioxide (SO_3)

Virtual power purchase agreement

A virtual PPA (often called a financial PPA/ VPPA) is a financial transaction in which a corporate buyer assumes market risk related to the sale of a generator's electricity and receives energy attributes.

3. Scope

The generation and acquisition of electricity from renewable sources is a core pillar of the architecture of the operations of the Inditex Group. To maintain and strengthen this commitment to the use of clean energy, it was announced the goal to use only electricity from renewable sources in own facilities from 2022 on.

This document is aimed to establish the considerations and criteria to be contemplated during the different phases for the procurement of renewable electricity for the own operations of the Inditex Group.

4. Considerations

There is a common set of requirements to be considered in all markets for the renewable electricity management:

- Since 2022 100% of the electricity consumed by the Inditex group in its own operations must come from renewable sources.

- In order to demonstrate it, the proper Renewable Energy Certificates (RECs) must be obtained. Depending on each regulation it could be GO, I-RECs, REGO, NFC or other local standards. In case of self-consumption there must be a proper monitoring and tracking of the energy generated by those sources and consumed.
- Consumption and generation must be in the same electricity market, understanding this as the area where a certain regulatory framework governs and there is a physic interconnection to the energy grid. For example, USA and Canada are considered a single market, as well as the markets in the Association of Issuing Bodies (AIB) in Europe.
- The consumption period must be reasonably close to the production period. In order to deal with some market characteristics, a 21-month window is considered. Based on this, a twelve-month reporting period of electricity consumption can use vintages of renewable electricity from the six months before the reporting period, the twelve months of the reporting period, or the three months after the reporting period.
- The consumption amount must include all own facilities, either managed directly or through landlords.
- The accepted renewable electricity generation technologies are solar, wind, hydroelectric and geothermal.
- The origin, if possible, should be from renewable generation facilities with a commissioning/ re-powering date lower than fifteen years.
- EACs must have an ID number to guarantee the unique claim of renewable electricity. Once it is generated ("cancelled"), it must have the associated "Cancellation statement".
- Consumption and certificate information must be obtained and registered accordingly.
- Environmental impacts, including those of ecosystems, as well as social impacts shall be considered and addressed responsibly.

5. Criteria

5.1. Description

The Inditex Group is working to facilitate a fair and just energy transition. In order to do so, the need to align energy sourcing strategies with robust criteria for respecting human rights, including a clean and healthy environment, has become more relevant. Thus, this document establishes a set of aspects organized under three fundamental pillars: environmental considerations, the social implications, and the system support and grid resilience. By assessing and integrating these criteria into the project selection processes it is possible to advance towards the impact mitigation in those areas.

In total, 15 criteria have been identified, spread across these 3 key categories, which are based on best practices, trends and current legislative requirements:

Environmental

- Respect for habitat and biodiversity: Impact of the generation asset on ecosystems and biological diversity during the development, operation, maintenance and dismantling of infrastructures.
- Circularity: Adoption of principles and practices that promote efficiency in the use of resources, waste minimization and the use of preferred materials throughout the life cycle of the components.
- CO_2 emissions across the life cycle: Emissions (CO_2 e) generated by the renewable project throughout its life cycle.
- Abated CO_2 emissions: Emission (CO_2 e) reduction capacity by the renewable project, based on the current energy mix of the producing country, as well as the hours equivalent to full load of the generation technologies in each geography.

- / **Air pollutant emissions across the life cycle:** Emission of air pollutants (NO_x, SO_2...) generated by the renewable project throughout its life cycle.
- / **Abated air pollution emissions:** Capacity to reduce air pollutants (NO_x, SO_2...) by the project, according to the current energy mix of the producing country and the hours equivalent to full load of the generation technologies in each geography.

Social

- / **CAPEX Impact on local economy:** Dynamizing level of the renewable park during the construction phase on the local economy.
- / **OPEX Impact on local economy:** Dynamizing level of the park during the operation and maintenance phase on the local economy through the hiring of labour from the area.
- / **Impact on territory:** Impact (negative or positive) of a renewable project (including associated infrastructure, e.g. evacuation line) on the geographical areas and surrounding lands through the development, operation, maintenance and dismantling of infrastructure.
- / **Risk management of social impact:** Capacity of the renewable project to effectively prevent and mitigate potential negative impacts on human of affected stakeholders (workforce, workers in value chain and communities)[1].
- / **Positive Social Impact:** Capacity of the renewable project to positively impact stakeholders (including workforce, workers in value chain and communities), beyond purely economic aspects.

System support and grid resilience

- / **Additionality:** Increase in the renewable energy generation capacity of a system, beyond existing sources, as a result of the energy purchase activity (through the creation of new assets or extending the useful life of existing plants).
- / **Simultaneity:** Electricity consumption capacity with a volume equivalent to that generated simultaneously.
- / **Geographical proximity:** Proximity of the electricity generation plants with respect to the consumer asset.
- / **Supporting the flexibility and resilience of the power grid:** Strengthening the system to ensure its adaptation and agility and respond to sudden changes in supply and demand, disturbances and interruptions, and other cases.

5.2. Minimum threshold

In some of the 15 identified criteria minimum thresholds have been identified.

[1] *All aspects related to risk management of social impact should be aligned with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.*

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