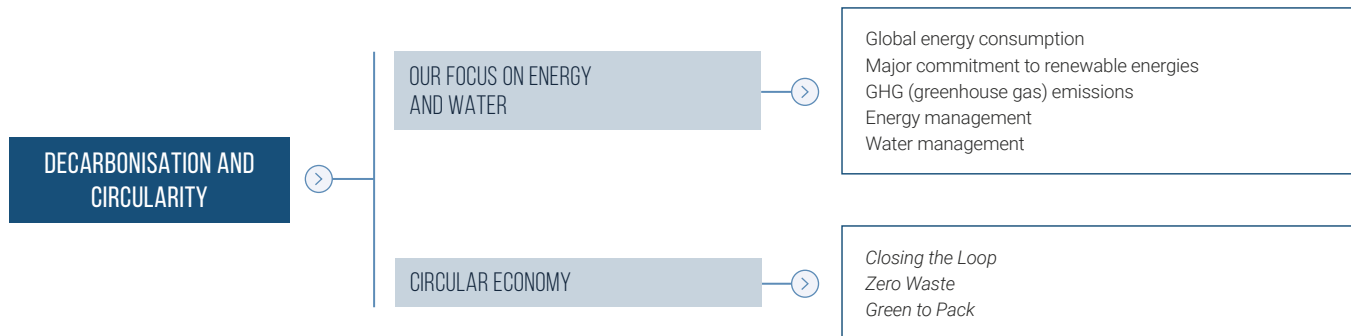







# Decarbonisation and circularity



SDG	Goals	Inditex contribution
	6.4	The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards a sustainable and rational water management. Our bases for water management follow the principles included in the initiative, <i>CEO Water Mandate</i> , promoted by the United Nations Global Compact.
	7.3	The Global Energy Strategy is one of the cornerstones of our commitment to environmental sustainability for promoting the rational and efficient use of energy throughout the entire value chain, while at the same time reducing GHG emissions and helping to mitigate the risks associated with climate change.
	9.4	Eco-efficiency is a priority at all facilities of the Group, and therefore major investments are being made in this area. Moreover, in order to ensure that our facilities meet the most cutting-edge requirements in terms of sustainable construction, since 2009 we have been certifying our more emblematic facilities under the most prestigious standards in sustainable construction: LEED and Breeam.
	12.2 12.5	Our <i>Closing the Loop</i> programme is helping us to close the production circle of our garments through the installation of collection containers. Moreover, we are working towards the goal of ensuring that, by 2023 and by integrating the circular economy concept in our business model, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.
	13.1	At Inditex we support the fight against climate change and we strongly support energy efficiency and the use of certified energy from renewable sources. Our work within the scope of decarbonisation of the entire value chain is closely related to the actions we undertake to reduce energy consumption, to reuse water and to recycle the materials generated in our own operations.

 More information on pages 328 and 329 of this Annual Report.

At Inditex, we understand that advancing in a sustainable business model means being more efficient with the resources we use. Given that half of the total greenhouse gases (GHG) and over 90% of the loss of biodiversity and of water stress are due to the extraction and transformation of resources, we continue to advance in our strategy to

reach an economy that is climate-neutral, efficient in the use of resources and competitive.

Our three strategies on environmental topics (Energy, Water and Biodiversity) articulate the efforts we make to attain environmental excellence.

Our work within the scope of decarbonisation of the entire value chain is closely related to the actions we are undertaking to reduce energy consumption, to reuse water and to recycle the materials generated in our own operations. The reduction of our energy consumption and of carbon emissions helps to reduce global warming and its effects on biodiversity. Circularity is an important tool for advancing towards decarbonisation.

We are committed to integrated improvement in managing the material needs of our products and industrial processes. The objective is to transform the concept of

waste so that it is considered a valuable resource that can be recovered and reintroduced as a raw material in production systems. In addition, and applying eco-design techniques, it is possible to not only extend the useful life of products and materials, but also maximise their recycling possibilities, consequently attacking the generation of waste at its origin.

This change of paradigm, which generically is called the “Circular Economy”, is evident at Inditex through the various global initiatives on closing the life cycle of our garments and of the materials we use in our activity.



In 2019 we became one of the founding members of the *Fashion Pact*, designed to drive environmental sustainability in the textile and fashion industries, mainly geared to stop climate change, protect the oceans and conserve biodiversity. Moreover, the pact encourages the participation of member companies in other complementary industry initiatives, supporting the development of accelerators to help achieve the challenges ahead.

As a signatory Company, we are committed to working within the framework of the *Science-Based Targets* (SBT) initiative, which establishes reduction targets based on scientific research, and whose strategy can be summarised into three aspects that are essential for the protection of the planet:

- **Stop climate change:** focusing its actions to achieve zero net GHG emissions by 2050, seeking to control global warming below 2 °C.
- **Restore biodiversity:** development and application of SBT goals to protect and restore ecosystems, as well as the implementation of specific actions in the supply chain such as the elimination of raw materials whose extraction requires intensive and high impact consumption.
- **Protect the oceans:** some of the measures laid out are the elimination of single use plastic by 2030 and the development of research on microplastic to be carried out along with the valuable work already carried out by other initiatives also supported by Inditex, such as the Ellen MacArthur Foundation, Sustainable Apparel Coalition, Textile Exchange, the United Nations Framework Convention on Climate Change, *Better Work* and *Zero Discharge of Hazardous Chemicals* (ZDHC).

The *Fashion Pact* is aligned with another commitment undertaken by the Group in December 2018, known as *Fashion Industry Charter for Climate Action*, under the auspices of the UN Climate Change Office. To achieve specific progress in this commitment, six working groups were set up to enable the signatories to define the steps to be taken, as well as the establishment of an initial target to cut GHG emissions by 30% by 2030 and other specific measures such as the gradual elimination of coal boilers and other carbon sources to generate heat and electricity at their own companies and direct suppliers.



But the most efficient use of resources is not only a maxim for our products but also for our facilities: headquarters, stores and logistics centres. To implement it, we have established various objectives, such as the delinking of our energy consumption and of GHG emissions, the commitment to renewable energies and the efficiency of our shipments.

In favour of transparency and of disseminating relevant environmental and social information, Inditex has fostered the creation of the Brand and Retail Module (BRM) in

the Sustainable Apparel Coalition (SAC). The drafting of the BRM ended after several years of collaborative work with different members from the SAC and from other organisations, and it's already available to any brand or retailer. The objective of the BRM is to evaluate the level of maturity of companies in environmental and social management and to drive improvement by drawing up a roadmap towards the best available practices in areas such as the use of raw materials, suppliers, manufacturing, distribution centres, transport, stores or containers and packaging.

# Our focus on energy and water

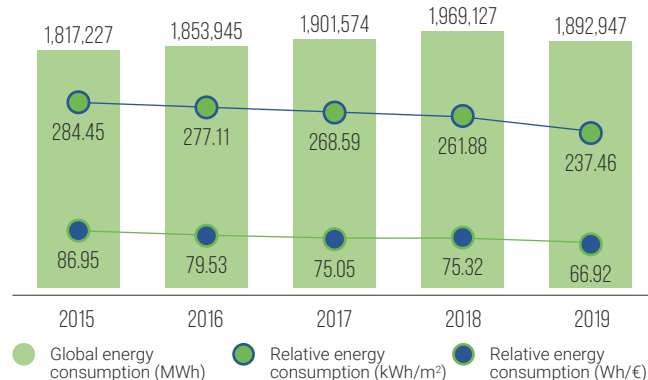
Energy is a critical component of the fashion distribution business (in both its direct and indirect operations), and the efficient and low-impact use of energy is essential for our approach to sustainability. At Inditex we support the fight against climate change and we strongly support energy efficiency and the use of certified energy from renewable sources. Hence our commitment to actively contribute to the protection of the environment by reducing our environmental impact on water and making changes that help our planet to remain under the global warming limit established in the Paris Climate Agreement.

The Global Energy Strategy is one of the cornerstones of our commitment to environmental sustainability for promoting the rational and efficient use of energy throughout the entire value chain, while at the same time reducing GHG emissions and helping to mitigate the risks associated with climate change – for example, the availability and price of cotton, one of the essential raw materials.

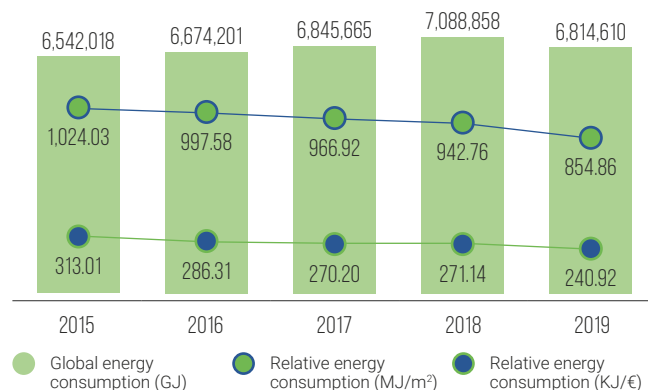
Since the early 90s we have been developing our own systems for improving energy consumption and reducing GHG emissions. Since then, our commitment in this area has grown exponentially, as has our activity. We continued to advance in 2019, achieving a 35% reduction per m<sup>2</sup> in emissions pertaining to scopes 1 & 2 and promoting energies coming from clean sources: 63% of our global electricity consumption in 2019.

This commitment in the fight against climate change has been recognised for the third consecutive year as being in the 'Leadership A-' category in the CDP Climate Change index. This list integrates companies that comply with the maximum criteria of the Carbon Disclosure Project regarding strategy, objectives and actions related to the risks and opportunities of climate change. Global energy consumption

## GLOBAL ENERGY CONSUMPTION (MWH) (\*)



## GLOBAL ENERGY CONSUMPTION (GJ) (\*)



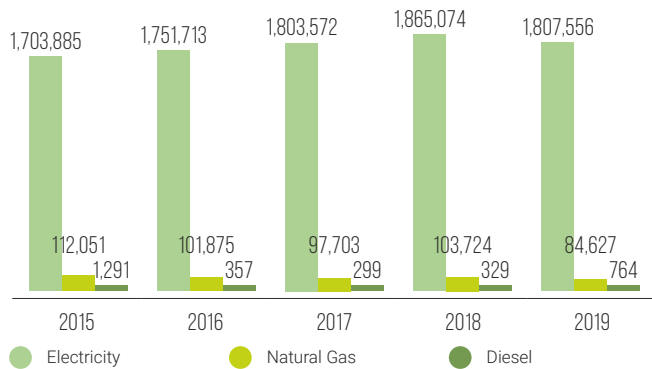
(\*) This indicator records all the energy consumed at our Group's own factories, headquarters, logistics centres and own stores. The surface areas of the logistics centres, headquarters and own factories have been updated.

In 2019, we succeeded in reducing our energy consumption by 9% per square metre and reducing electricity consumption by 9% per square metre at corporate headquarters, logistics centres and our own stores and factories. This was possible due to the measures implemented to improve our energy efficiency.

**Our commitment:** 80% of consumption from renewable sources in all our facilities (headquarters, logistics and stores) by 2025.



### GLOBAL ENERGY CONSUMPTION (MWH)

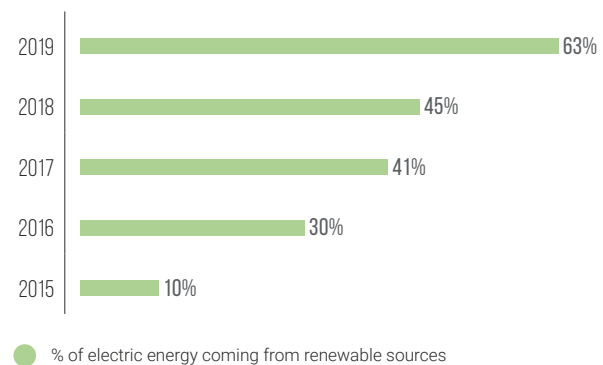


The energy used comes mainly from the supply network and, to a lesser extent, from the consumption of natural gas and diesel. The increase in diesel consumption is due mainly to filling the tanks of the electric generator units for opening of the Lelystad logistics centre.

## 04/ Major commitment to renewable energies

Our commitment to renewable energies continues to be strong, through the generation and the purchase of energy from renewable sources. We invest in our own renewable energy generation facilities when it is technically viable, which has led us to having thermal solar, photovoltaic and wind energy facilities, as well as facilities that make use of geothermal energy.

### PERCENTAGE OF ELECTRIC ENERGY COMING FROM RENEWABLE SOURCES (\*)



(\*) In the case of Spain, China, Italy and Portugal, the period for the data is the calendar year, instead of the tax year (time period of this statement).

In 2019, 63% of the Group's electricity needs were covered by clean energy. This represents a total sustainable energy consumption of 1,144,020 MWh in our facilities located in Spain, Germany, Austria, Belgium, Brazil, China, South Korea, United States, France, Greece, India, Italy, Netherlands, Ireland, Luxembourg, Norway, Poland, Portugal, United Kingdom, Switzerland and Turkey, thus avoiding the emission of over 415,474 tons<sup>1</sup> of GHG emissions.

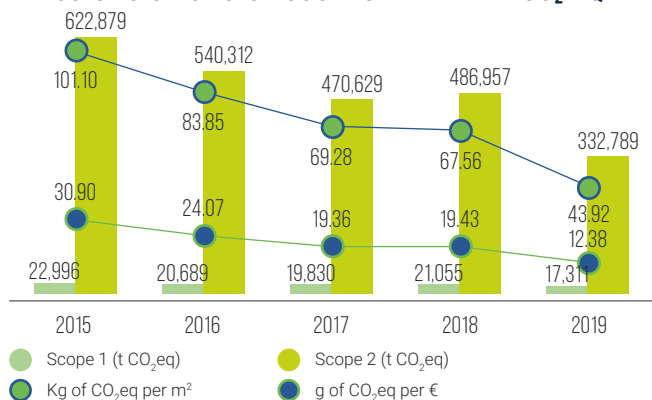
We also have co-generation plants, which enable the simultaneous production of heat and energy using low-carbon fuel. During 2019 a total of 7,785 MWh of electrical energy and 11,002 MWh of thermal energy were generated by these plants. In addition, in 2019 a total of 577 MWh of thermal energy has been generated from renewable installations using geothermics and solar panels.

(1) The emission factors applied to the energy mix of each of the countries are those pertaining to the GHG Protocol Tool for Purchased Electricity, Version 4.9 of the World Resources Institute, 2017.

## 05/ GHG emissions

All the actions as a whole that have been implemented to foster energy efficiency, together with the materialisation of our commitment to renewable energies, has allowed us to achieve a 35% reduction per m<sup>2</sup> in emissions related to scopes 1 and 2 (achieving 43.92 kilograms of CO<sub>2</sub>eq per square metre).

### EMISSIONS OF GHG OF SCOPES 1 AND 2 (T CO<sub>2</sub> EQ) (\*)



(\*) The Scope 2 data are calculated according to the market-based method following the GHG Protocol guidance for the calculation of Scope 2, World Resources Institute (WRI), 2015. Due to the emission factors used, the data provided match the data calculated according to the located-based method. The surface areas of the logistics centres, headquarters and own factories have been updated.

**Scope 1:** Direct emissions. These are GHG emissions associated with stores that are under the direct control of the Inditex Group.

**Scope 2:** Indirect emissions. They are associated with the generation of electricity acquired by the Inditex Group.

**Scope 3:** An additional scope that includes the indirect emissions associated with the production chain of goods and services produced outside the organisation.

During 2019, we continued to improve the system for capturing and calculating indicators, thereby allowing us to expand the reporting of our calculation of scope 3 emissions. The preceding graph shows the breakdown of our GHG emissions based on the categories established by the GHG Protocol.

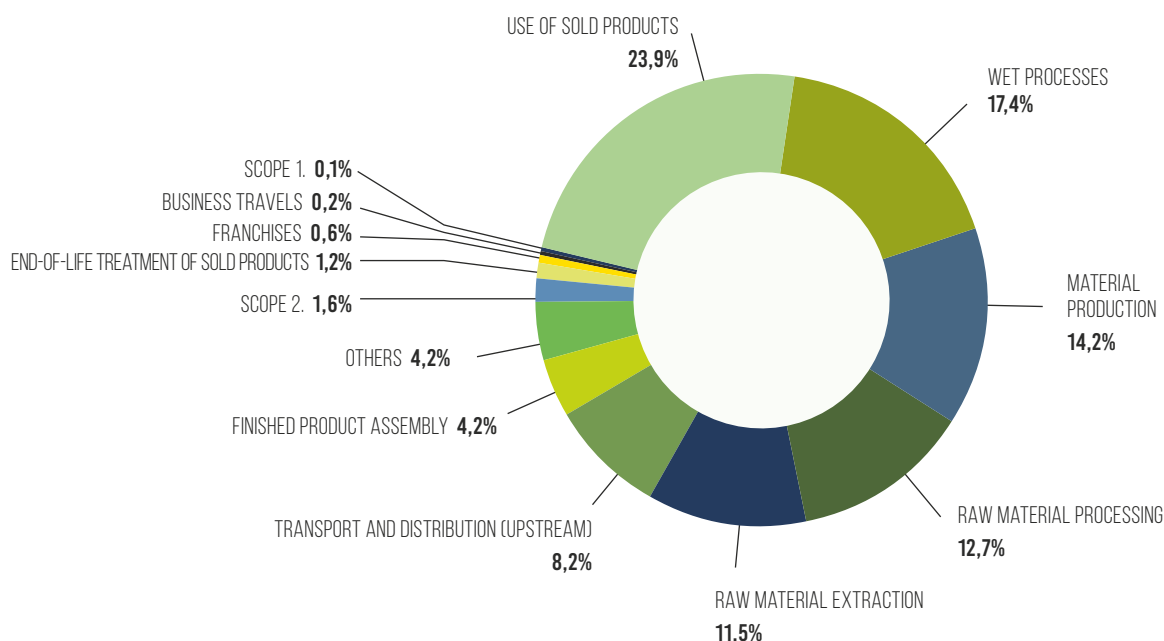
For the purpose of achieving greater transparency, the *Purchased goods and services* category (according to the GHG Protocol) is subdivided into the following categories: raw material extraction, raw material processing, material production, wet processes and finished product assembly.

The *use of sold products* category includes the emissions coming from the use that a customer makes of our products, thereby considering the different washing and drying patterns.

The *others* category includes the emissions associated with *capital goods, employee commuting, fuel and energy/related activities and waste generated in operations*.

### EMISSIONS OF GREENHOUSE GASES (GHG)

OVERALL TOTAL: 20,530 KT CO<sub>2</sub>EQ



*The commitment to clean energies and the implementation of circular management models at our headquarters and logistics centres are the cornerstones of our Environmental Management System.*

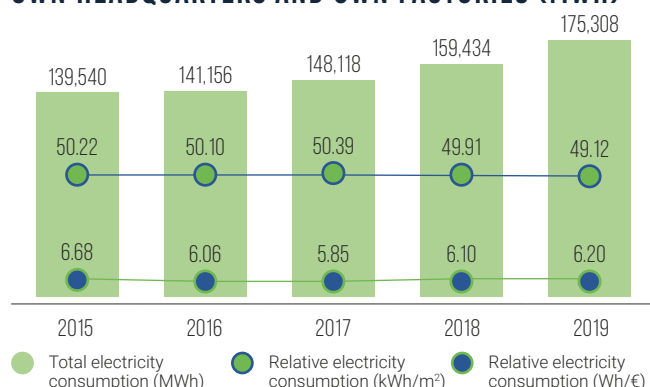
## 06/ Energy Management

### 06.01/ Energy management at logistics centres, own factories and offices

Eco-efficiency is a priority in all Group facilities; therefore, significant investments are being made in this area in order to meet the standards set out in the Instruction for Proper Environmental Management for the logistics centres, thus ensuring that all our facilities and platforms are eco-efficient. The daily management of eco-efficiency promotes good practices between our employees, which allows obtaining control of the consumption of resources and applying measures to reduce that consumption.

Thanks to these practices, we've reached a 2% reduction in consumption related to electric energy per square metre in comparison with 2018. Some of the notable measures applied include the renovation of old equipment, the replacement of fluorescent light fixtures with high-efficiency LED bulbs and the use of lithium-ion batteries, thereby reducing energy requirements.

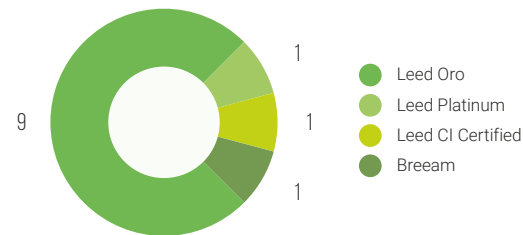
#### ELECTRIC ENERGY CONSUMPTION AT OWN LOGISTICS CENTRES, OWN HEADQUARTERS AND OWN FACTORIES (MWH)<sup>(\*)</sup>



(\*) The surface areas of the logistics centres, headquarters and own factories have been updated.

The increase in electricity consumption in absolute terms is due to the coming into operation of the new Logistics Connection Point in Lelystad (Netherlands), in addition to the construction of Zara's new online studios in Arteixo (Spain).

#### LEED AND BREEAM CERTIFICATIONS IN DISTRIBUTION CENTRES AND FACILITIES



In order to ensure that our facilities meet the most cutting-edge requirements in terms of sustainable construction, since 2009 we have been certifying our more emblematic facilities under the most prestigious standards in sustainable construction: *LEED* and *Breem*.

The LEED certification has been secured for the Inditex central services (Phase I, II, III) and the LEED Gold has been granted for the new Central Services headquarters. The Zara Logistics offices have also been LEED Gold certified. Meanwhile, the Inditex Data Processing Centre in Arteixo has obtained the LEED Platinum standard and, in addition, in 2019 and 2018 it maintained its ISO 50001 standard, certifying its energy management and more sustainable and efficient energy use.

The commitment to clean energy and the implementation of circular management models in our headquarters and logistics centres are the cornerstones of our Environmental Management System ("EMS"), which is certified under the ISO 14001 international standard. The EMS is implemented at all logistics centres, corporate headquarters and Company-owned factories, except for the new textile warehouse (in A Laracha, Spain) and the new Logistics Platform in Lelystad (Netherlands), which were undergoing the certification process at the end of 2019. Inditex has a 25-people team responsible for monitoring and assessing the appropriate implementation of the EMS and the prevention of environmental risks associated with these centres.

During 2019 and 2018, the Inditex Group has not been charged through available channels any significant penalty or sanction for non-compliance with environmental laws and has no facilities located in protected areas.

*Our offices are now an extension of the Group's philosophy: think and act responsibly and sustainably to generate shared value and to advance towards a circular economy.*

Inditex has a Risk Management and Control Policy which sets the basic principles, key risk factors and the general framework of action for the management of the risks affecting the Group. The scope of application of this Policy extends to the entire Group and forms the basis of an Integrated Risk Management System. Within the context of the Risk Management and Control Policy, the business units constitute the first line of defence in the management and control of the different risks to which the Group is exposed, including those of a climate-related nature.

Bearing the Group's business activity in mind, the Group has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that could play a significant role in terms of the net assets, the financial situation and results of the company. For this reason, such specific breakdowns are not included in this Annual Report.

## Sustainable Offices

We increasingly have to think about how we do things and about how to decrease the pressure on natural resources through innovation, the transition towards clean energy and healthy and sustainable nutrition.

Our offices are now an extension of the Group's philosophy: think and act responsibly and sustainably to generate shared value and advance towards a circular economy.

At Inditex, we have a Manual of Good Environmental Practices at the Office for guiding responsible behaviour at our offices. It is an invitation to all personnel of the Group to mark the difference at their job position in different areas (energy and climate change, water, biodiversity and materials, waste) with small daily gestures.

At Inditex we have also placed the focus on the mobility of internal services. Several electric vehicles are also available for internal mobility in maintenance or distribution operations, for example.

## Atmospheric emissions and noise pollution

Our logistics centres meet the requirements of applicable legislation on control of atmospheric emissions from combustion equipment. Authorised control bodies carry out regular verifications and checks of the limit values of emissions generated by the combustion equipment (heating boilers and steam boilers) subject to control according to the legislation in force. Such regular controls verify compliance with the emission limit values for the parameters applicable to each case (i.e.: CO, NOx, SO<sub>2</sub> or Opacity).

In addition, the night-time distribution model includes the product supply to the stores at night, when noise pollution levels are more restrictive than in the daytime. Moreover, we have developed an *Unloading Equipment Protocol* calling for reduction of noise during unloading operations.



# Sustainable offices



/ All **individual rubbish bins** have been eliminated, and numerous containers have been made available for **separating materials** (paper, organic and inorganic waste, containers, batteries, etc.), thereby favouring the circularity of all these materials because they improve separation and **reduce waste**.

/ Training and awareness-raising. A **web application** has been developed, in which employees can consult where they must send each type of waste according to the **type of available container** in each area. They thus collaborate on the Zero Waste objective that we've set for 2023.



/ Delivery of "**Join Life**" bottles to our employees in various markets to avoid the consumption of small water bottles, which means a **reduction of our waste** and of the environmental impact of single-use plastic.

/ Delivery of "**Join Life**" cutlery to our employees at the Group's central services, thereby reducing the consumption of single-use plastic cutlery in requested picnic services. The textile cover in which they are wrapped is the result of **re-using sanitised and dyed Zara shopping bags**, so that our employees can enjoy the use of a set of quality, sustainable cutlery.



/ **The replacement of plastic containers** in vending machine products with glass containers. We have established circuits of returnable containers for our suppliers, which improve separation and collection and improve the circularity of these containers.

/ In vending machines, we are committed to **healthy options** that are prepared daily. As a novelty, this year a pilot project has been developed: **a reduced price** (at the end of the working day) **for these perishable products**. We thus promote their consumption and minimise food waste, thereby contributing to reducing the impact of surpluses. This objective is shared with the **"Picnic Dinner" service**, which was also launched in 2019. In the canteen at our headquarters in Arteixo, every day menus are prepared but aren't consumed, consequently generating unnecessary waste. With this new service, our employees can request those dishes, which would be impossible to send elsewhere, thereby contributing to **reducing the impact of such surpluses**.

/ **Circularity in our 360° Restaurant**. Starting this year, there are now four canteens at our headquarters that have joined this philosophy, which promotes a healthy life style, creates a commitment to sustainability and protection of the environment and emphasises the value of economy and local products. In 2019, these 360° restaurants served over 4,000 daily meals, with an average of **65% purchased according to KM 0** (the ingredients are sourced within a radius of under 100 km away from the consumer) which encourages the use of local varieties and breeds, ensures sustainable management of water and land and **reduces the carbon footprint and the impact on climate**.

/ Likewise, **our canteens** are designed to **save energy** through the use of high-efficiency equipment and systems and by **taking advantage of natural light and resources**. We thus reduce CO<sub>2</sub> emissions and balance the carbon cycle.

**Our commitment:** all Zara stores eco-efficient in 2019 and all other stores by 2020.



## 06.02/ Energy management in stores. Eco-efficient stores

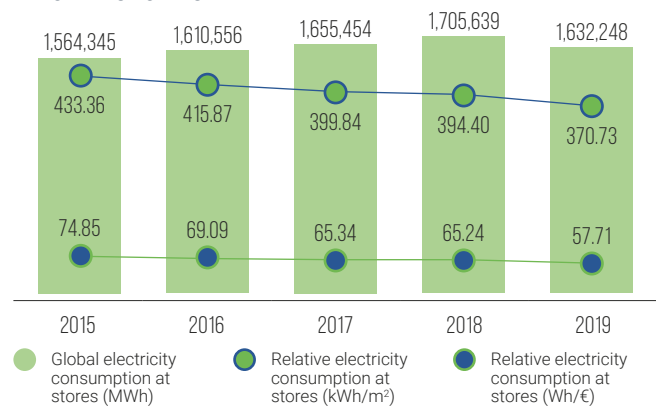
Eco-efficiency is a priority in the design of our stores, which is why we are committed to making all Zara stores eco-efficient in 2019 and all other stores eco-efficient in 2020.

To achieve this, we rely on the Eco-efficient Store Manual, which seeks to ensure that its efficiency and sustainability requirements are fulfilled. Such Manual defines the technical requirements for the different installations and systems of all the stores, as well as the operations to be carried out. In 2019, we had 5,891 eco-efficient stores, which represent 92.7% of the Group's own stores, and Zara has already become the first brand of the Group whose stores comply with the criteria of the Eco-efficient Stores Manual.

We are currently focusing our efforts on increasing the number of stores connected to the centralised consumption management platform, Inergy, which is capable of monitoring the network of connected stores so that they can be adapted to the energy consumption reduction objectives posed in our Sustainability Roadmap by optimising energy consumption and consequently reducing our environmental impact. At the end of 2019, 3,587 own stores were connected to Inergy.

Thanks to all these implemented sustainability and energy efficiency measures, the relative energy consumption per square metre at our stores has been reduced by 6% compared to the preceding year, despite the total increase in the surface area of our facilities.

### ESTIMATED ELECTRICITY CONSUMPTION AT OWN STORES (MWH) (\*)



(\*) The electricity consumption has been calculated on the basis of actual data on the central monitoring platform. In order to estimate average consumption, the data from 1,639 stores has been used, 100% of which are eco-efficient.

Thanks to the eco-efficiency measures implemented in Inditex-owned stores, significant energy savings have been achieved, particularly in air conditioning systems, as these are able to achieve energy yields and efficiency that are at least 20% better compared to conventional equipment.

All these actions to encourage energy efficiency, added to the materialisation of our commitment to renewable energy, has led to a reduction in GHG emission from our business activity.

Meanwhile, at the end of the year, the Group has 40 owned stores that have been certified under the sustainable construction standards *LEED* and *Breeam*: 29 of them are *LEED* Gold, 10 are *LEED* Platinum and one is *Breeam*. During the 2019 corporate year, we obtained 2 new certifications (Oysho – Place du Molard Geneva, Zara – Brickell City Center Miami).

*The eco-efficiency measures implemented at our own stores have allowed us to achieve major electricity savings.*

## Certification of our stores

BUILDING	LOCATION	CERTIFICATION
Zara Park House	London	LEED Platinum
Zara Serrano	Madrid	LEED Platinum
Zara Via del Corso	Rome	LEED Platinum
Zara Kangnam	Seoul	LEED Platinum
Zara Compostela	A Coruña	LEED Gold
Zara Kalverstraat	Amsterdam	LEED Gold
Zara Plaza Catalunya	Barcelona	LEED Gold
Zara Puerta del Angel	Barcelona	LEED Gold
Zara Ismail Building	Bombai	LEED Gold
Zara Madero- Mexico	Mexico	LEED Gold
Zara Krakow	Krakow	LEED Gold
Zara Geneva	Geneva	LEED Gold
Zara Castellana	Madrid	LEED Gold
Zara	Melbourne	LEED Gold
Zara Brickell City Centre	Miami	LEED Gold
Zara Broadway Soho	New York	LEED Gold
Zara Oslo	Oslo	LEED Gold
Zara Opera	Paris	LEED Gold
Zara Champs Elysees	Paris	LEED Gold
Zara Nanjing	Shanghai	LEED Gold
Zara Haas Haus Vienna	Vienna	LEED Gold
Pull&Bear Rotterdam	Rotterdam	LEED Platinum
Pull&Bear Preciados	Madrid	LEED Gold
Pull&Bear Gran Via	Madrid	LEED Gold
Massimo Dutti Serrano	Madrid	LEED Platinum
Massimo Dutti Colon	Valencia	LEED Platinum
Massimo Dutti Sant Feliu	Palma de Mallorca	LEED Gold
Massimo Dutti Paseo Borne	Palma de Mallorca	LEED Gold
Bershka Berlin	Berlin	LEED Platinum
Bershka Colon	Valencia	LEED Platinum
Oysho Diagonal 596	Barcelona	LEED Gold
Oysho Paseo de Gracia	Barcelona	LEED Gold
Oysho Place du Molard	Geneva	LEED Gold
Oysho Roma	Rome	LEED Gold
Oysho Paris	Paris	BREEAM Bueno
Zara Home Munich	Munich	LEED Gold
Zara Home	Palma de Mallorca	LEED Gold
Zara Home Champs Elysees	Paris	LEED Gold
Zara Home The Place	Peking	LEED Gold
Uterqüe Serrano	Madrid	LEED Platinum



### ***Zara.com: Working to make our online store an eco-efficient web page***

The images, videos and information of zara.com are housed at its own data centres and on external servers, which allow streamlining and storing information.

Our main Technology Centre is located at our offices of Arteixo (Galicia). This centre consumes energy that is 100% from renewable sources, and it is certified as LEED Platinum by the U.S. organisation Green Building Council. In addition, in 2019 and 2018 it maintained its ISO 50001 standard, certifying its energy management and more sustainable and efficient energy use.

To streamline access to our web page throughout the world, we also work with external servers. In 2019, 100% of the energy consumed by these servers also came from renewable sources.

### **06.03/ Management of energy in transport and distribution efficiency**

The efficiency of our network of logistics centres is a determining factor for us to be able ship our products to stores twice per week. Moreover, at Inditex we understand that the optimum management of transport and packaging is key to making more efficient use of resources, thereby reducing the emissions associated with our processes. In this regard, we believe that the commitment to sustainability and efficiency also has a positive impact on the business.

In order to improve the efficiency associated with our distribution and logistics operations, various actions have been taken:

- We continue working towards consolidating aerial and maritime imported goods, which has resulted in savings for the Group of 72,357 overland km on a European level in 2019.
- We continue to implement measures to optimise packing and packaging and to increase multimodal transport in certain flows.
- We continue to improve on the density of our shipments, which results in a savings of resource consumption and optimisation of transport. Specifically, we have



continued to improve box-packing controls thanks to the introduction of new protocols for load optimisation, revision and adjustment.

- For another year running, we continue to use the fleet of mega-trucks and to increase the number of routes using giga-trailers, which has enabled us to increase the load volume of the trucks, thus reducing CO<sub>2</sub> emissions.
- Once again this year, we have carried out a significant effort in truck load optimisation to reduce the number of vehicles (2,000 less in 2019) along European road routes. This measure has brought about savings of 3,400,000 km and associated emissions.
- In order to leverage the flows along the routes servicing the European stores and in an effort to avoid empty return truck runs, we use these trucks for goods returns to Spain. During the year we have used 5,400 return truck runs, resulting in savings of 9,200,000 km and associated emissions.
- 85% of the fleet of our overland transport suppliers, accounting for 66.7% of total business turnover of primary overland transport, meets the Euro VI motor standard, the most exacting at present in matters of nitrogen oxide and particle emissions.

- Moreover, we have continued to promote the use of trailers using LNG (Liquified Natural Gas), using this type of vehicle in continuous flows and covering over 540,000 km carrying Group goods in 2019.

- In China we have begun to implement the use of electrical vehicles for last mile delivery to stores, with deliveries made in 42 cities by the end of this year. We have thus managed to implement this form of transport in 67% of stores, which translates into the reduction of GHG emissions and air pollution in cities.

### ***Our employees also get involved in reducing GHG emissions***

Since 2019, all our office employees can go to work using the shuttle bus service or sharing a vehicle thanks to the implementation of WESHARE.

Likewise, we have provided electric vehicle charging stations at our headquarters. During this financial year, over 47,000 kWh<sup>1</sup> have been supplied, which help to avoid the emissions associated with the use of fossil fuels.

(1) Electrical consumption by electrical vehicle charging points in Group central service facilities, own logistics centres and own factories.

*In order to be able to reduce our water consumption and improve its reuse, we incorporate storm tanks on new projects in order to recover water.*

## 07/ Water management

The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards a sustainable and rational water management. Our bases for water management follow the principles included in the initiative, CEO Water Mandate, promoted by the United Nations Global Compact. Environmental and social aspects are associated in this initiative, given that water in the world affects the quality of river ecosystems, and it is therefore a resource that depends on the development of communities.


### 07.01/ Water management in distribution and at the point of sale

The largest consumption of water corresponds to domestic use, namely cleaning and toilets, ensuring discharge through municipal wastewater systems. On the other hand, in industrial processes water is mainly used to generate steam and for closed-circuit cooling systems, which use recirculation systems.

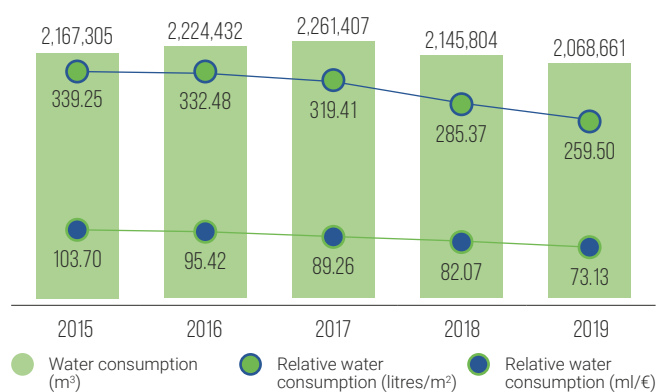
In 2019, thanks to the implemented water savings and efficiency measures, we reduced relative water consumption per square metre by 9% at our corporate headquarters, own factories, logistics centres and own stores.

In order to reduce our water usage and improve reuse, we have installed storm tanks to collect roof rainwater for irrigation, road cleaning and other services.

Moreover, it is worth mentioning that, during this year, we have been granted authorisation from Aguas de Galicia to reuse 100% of water from the outflow of the treatment plant located in the facilities of Indipunt in Narón. The advanced technology installed in this facility enables water to be reused for irrigation of gardens and toilet systems, resulting in significant savings in water usage for the Indipunt facility. This water recovery project is the first project of its kind approved in Galicia, after having successfully passed the strict control procedures established by the Public Administration.

 More information about water management from page 148 of this Annual Report

#### WATER CONSUMPTION (M<sup>3</sup>) (\*)



(\*) The calculation methodology has been updated to provide greater precision. The consumption by own stores has been calculated based on the net expenditure per store. The specific average price of 20 markets has been used. For all other markets, we have used the average of m³/m² per format. As a result, the water consumption data for 2018, 2017, 2016 and 2015 have been updated.

When calculating the water consumption of centres, certain consumption figures for January have been estimated, given that the data were not available at the time when this report was being prepared.

The 2018 figure has been updated from the one presented in the Statement on Non-Financial Information.

The surface areas of the logistics centres, headquarters and own factories have been updated.



**Our commitment:** 100% of stores with containers to collect used garments in 2020.

## Circular economy

Circularity is an essential aspect in advancing towards decarbonisation of the value chain. Following the principles of the circular economy, air quality can be improved, healthier and cleaner water can be promoted and biodiversity can be protected. All while following strategies that range from reusing garments to a more responsible and sustainable design of products, thereby managing to become more efficient in our use of resources.

The objective is to transform the concept of waste so that it is considered a valuable resource that can be recovered and reintroduced as a raw material in production systems. In addition, and applying eco-design techniques, it is possible to not only extend the useful life of products and materials, but also maximise their recycling possibilities, consequently attacking the generation of waste at its origin.

In order to accelerate the transformation of industry in terms of circularity, we are working in collaboration with different forums and organisations, such as the Sustainable Apparel Coalition and the Policy Hub. In these forums, we share our experiences and best practice with

other industry players (brands, retailers, manufacturers, suppliers, NGOs, authorities, scholars, etc.) to generate systemic improvements in the industry.

The circular economy is one of two core axis of Inditex's sustainability strategy, considering both the materials and the processes used to make its garments. Consequently, at Inditex we aim to select more sustainable raw materials, to reduce the consumption of paper, plastic, cardboard, etc. In order to:

- Give garments or materials a second life.
- Transform waste into raw materials.
- Generate the least possible waste.
- Improve the optimisation of raw materials.

Three initiatives have been developed to achieve these goals: Closing the Loop, Zero Waste and Green to Pack.





## 01/ Closing the Loop

### 01.01/ Collect, Reuse, Recycle

These are the three cornerstones on which our programme for collecting used clothing is based, which seeks to extend the useful life of textile products through reuse or recycling whenever it is possible to give them a second life.

We therefore collaborate with numerous, local non-profit entities, with specialists in various technologies and with companies that specialise in recycling.

At Inditex we are working so that, by 2020, this programme will be available at all the Group's stores worldwide by collaborating with different social organisations in different markets, in order to benefit the local community in every area of influence where this programme is under way.

#### Collect

Inditex seeks to close the life cycle of the products and materials used during its activity. In the case of fabric cutting waste in the factories in which we produce our garments, we are developing programmes to collect this cutting waste for subsequent recycling and creation of new textile fibres, such as recycled viscose, polyester or cotton.

As for used garments, we have installed clothing collection containers in our stores and logistics centres and have

funded the installation of containers on the streets of various cities, in collaboration with several non-profit organisations, business specialising in recycling, social institutions and the Third Sector.

The collected garments are donated to non-profit organisations such as Cáritas, Red Cross, CEPF, Le Relais, Liga Solidaria or Casa de la Amistad, where they are separated and classified for best use.

#### Reuse

Collected garments that are in good shape are reused, either directly or after repair, by non-profit stores with which we collaborate. They donate the garments to persons at risk of social exclusion or sell them in their second-hand stores to obtain funds and subsidise their social and environmental projects.

Since 2015, over 49,479 tons of garments, footwear and accessories have been donated.

#### Recycle

To close the cycle of garments that cannot be reused or the fabric cutting waste, we work with various business organisations and universities to promote the innovation and development of new more sustainable materials and technologies to help recycle textile waste.

At Inditex we collaborate with renowned entities such as the Massachusetts Institute of Technology (MIT) and Cáritas,

among others, to advance in textile recycling processes and technologies that help us to meet our circular economy strategic goal. In 2019 we have managed to exceed the commitment set for 2020 with the Global Fashion Agenda of an investment of 3.5 million dollars in this area.

In 2019 we entered into an agreement with the *Massachusetts Institute of Technology* (MIT), resulting in the creation of the *Inditex Materials Science and Engineering Fellowship Fund* with the *MIT Department of Materials Science and Engineering*. The goal of this chair is the promotion of research in sustainability, with funding of one million dollars.

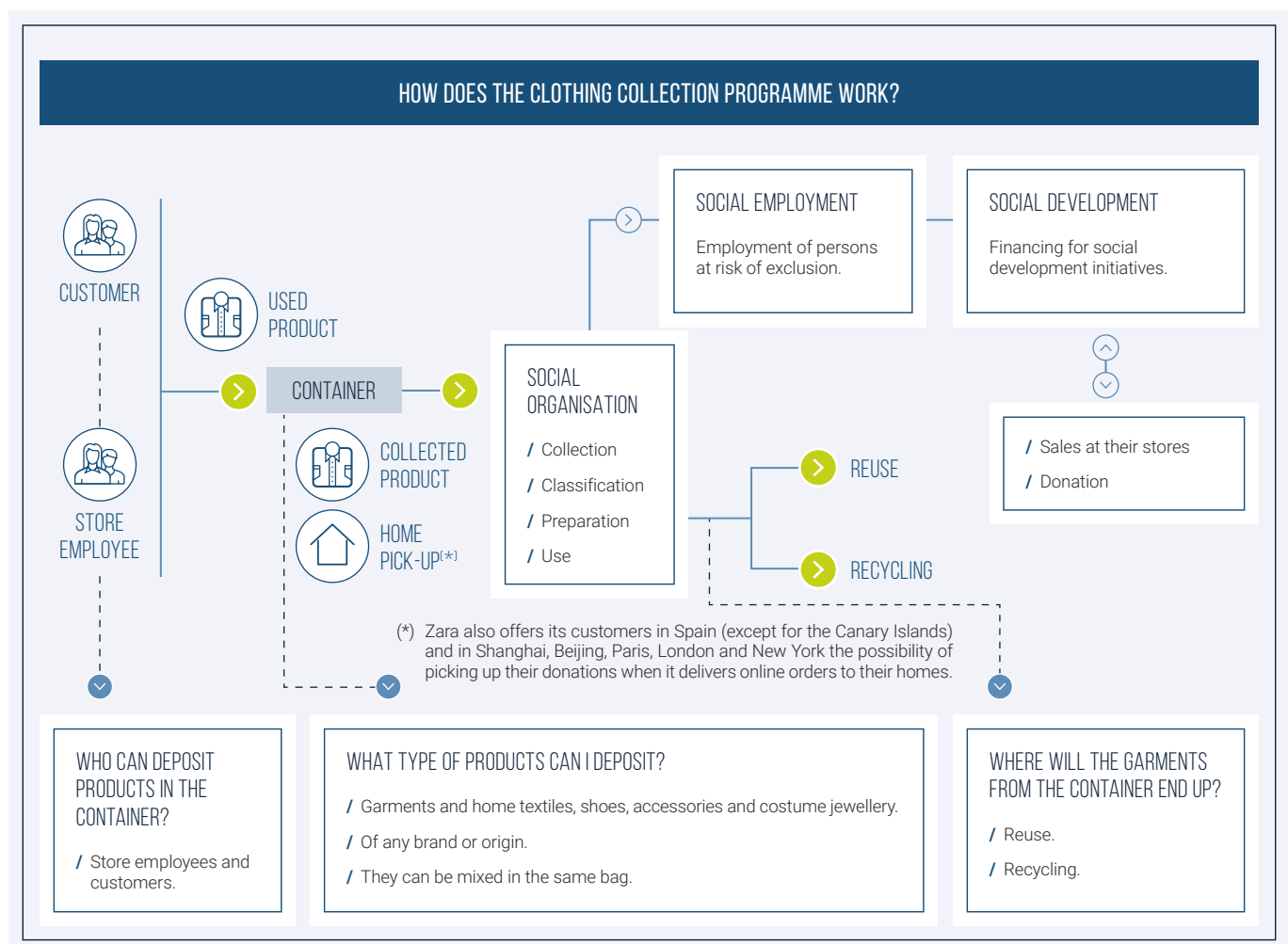
In addition, in 2019 the first triennial edition of the MIT-Spain INDITEX Sustainability Seed Fund ended, through the *MISTI (International Science and Technology Initiatives)*, which encourages research collaboration between MIT professors and students and their colleagues at universities and research institutes in Spain. The purpose of the fund is to finance research in areas such as new textile recycling techniques or the creation of new fibres based on sustainable technologies. For this first version, from Inditex we allocated the amount of 450,000 dollars. The second edition will cover the 2020-2022 period.

## 01.02/ Clothing collection programme

This programme refers to collaboration between Inditex and non-profit social organisations for the collection of garments, footwear and accessories that are not going to continue being used, thereby giving them another life. The social organisations are in charge of managing the garments and receiving the profits they represent, with the main objective of continuing to develop social and environmental projects.

### Main objectives

- Offer our customers the best collection **channel for used clothing, footwear and accessories**, thereby ensuring the best destination of garments.
- **Prevent** used garments from ending up in the **waste flow**, and improve textile recycling systems.
- Provide the **best possible use for the collected garments**, consequently maintaining the use value for the longest possible time.
- **Help to finance social and environmental projects**, and collaborate with our *partners* on developing the necessary skills and experience to build sustainable and successful systems.



## Selection of social organisations

Collaborators on the programme are chosen after a comprehensive analysis by Inditex. The basic requirements that must be met to be able to collaborate on the programme are the following:

- Be officially registered as a non-profit organisation.
- Provide official, externally verified information (annual report of activities, annual accounts, etc.).
- Have over 5 years of activity.
- Have experience on textile management programmes.
- Have their own financing.

## Uses of garments

The main objective of the programme is to give **donated garments a second life**, thereby preventing them from ending up in a landfill and consequently having an impact on the environment. The main uses for garments are the following:

- Reuse with a social purpose (donation).
- Recycling and transformation of garments into other textile products (upcycling).

- Recycling into new fibres and materials sent to the non-textile industry (downcycling).
- Sale at second-hand stores to finance social projects.
- International sale (only to certain, contractually defined countries<sup>1</sup>).
- Energy recovery (it cannot exceed 5% of the total of garments).

## Other commitments of our collaborators

Collaborators undertake to comply with:

- Inditex's Codes of Conduct: collaborators undertake to comply with the following codes of conduct: "Responsible Practices of Inditex" and "Responsible Practices for Manufacturers and Suppliers".
- Periodic data reporting: In order to correctly monitor the programme, our collaborators periodically send information about the garments that have been collected through the programme. We thus know the quantity of collected garments and the use that they are given.

(1) We have established a list of countries to which our collaborators cannot send garments, due to either legal or operational reasons - thereby assuring the correct processing of textile waste. Likewise, the impact that imports could have on the textile industry has been taken into account



## Challenges

- Create a social and environmentally responsible solution for textile waste.
- Maximise circularity in the recovery of raw materials.
- Raise society's awareness about the use and end of life of textile products.
- Innovate in the industrial fabric for recycling, with a social dimension.
- Identify possible synergies in the area of textile recycling.
- Dignify the social delivery of clothing to disadvantaged persons who need it.
- Generate social employment and industrial capacity.

### 01.02.01/ Our programme in figures

Fully implemented in corporate headquarters, logistics centres and own factories.

The programme is active in a total of 2,299 stores in 46 markets, in collaboration with 45 different social organisations, thus fulfilling the commitment undertaken by Inditex with the *Global Fashion Agenda* one year earlier than expected.

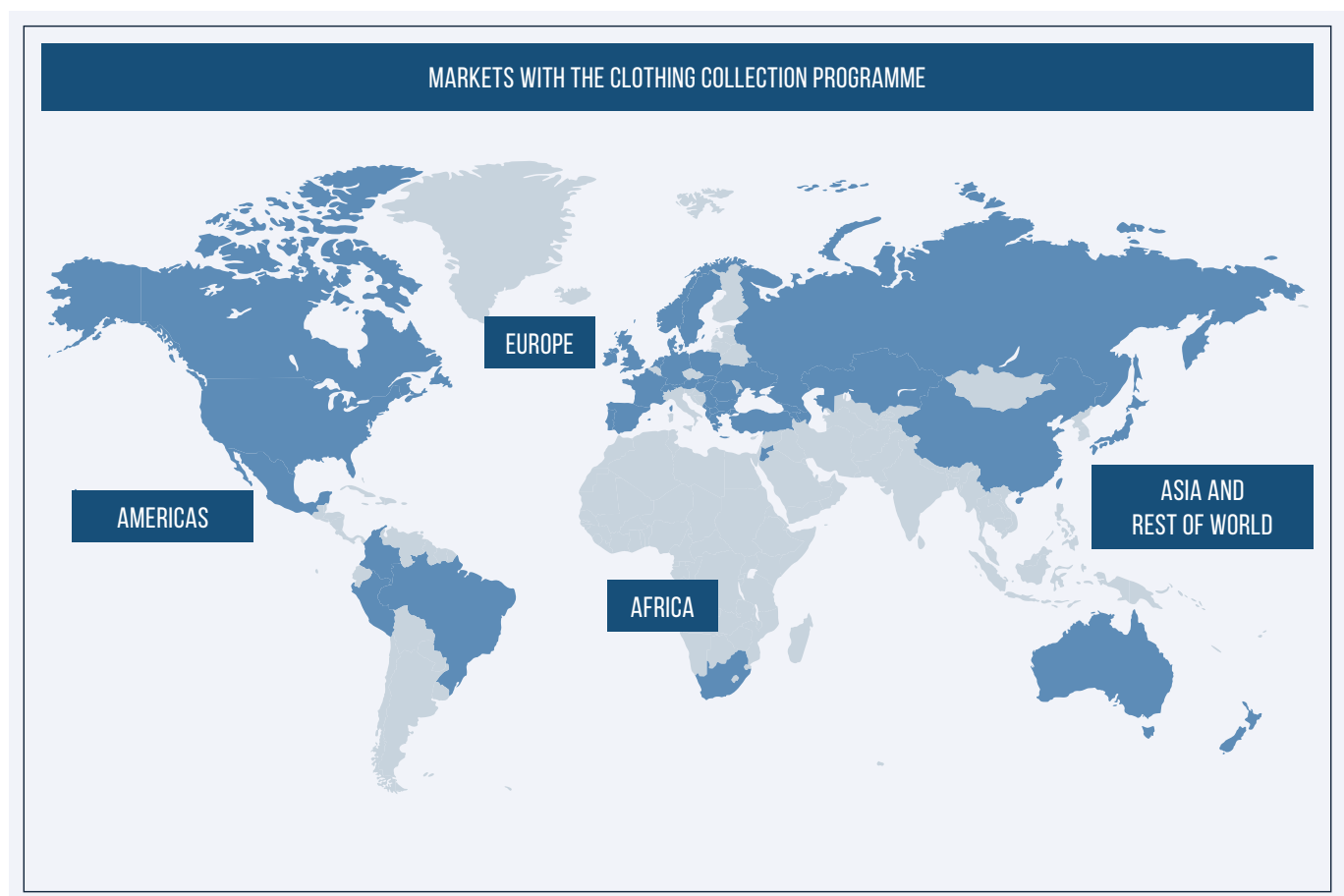
All the brands of the Group collaborate with the programme. In 2019, the programme was already implemented at 1,206 Zara stores in 46 markets throughout the world.

Bershka, Oysho and Pull&Bear have deployed the programme in international markets.

In 2019, the programme was also available for online customers of Zara in Paris, London and New York, to be added to those already in existence in Spain and in China (Beijing and Shanghai).

In Spain, in collaboration with Cáritas, collection containers have also been placed in the streets, reaching a total of 1,856 containers by the end of the year.

In 2019, we renewed our agreement with Cáritas according to which we will contribute 3.5 million euros to the textile project over the next three years. It fosters the collection of used clothing and footwear to be reused or recycled as part of a process that promotes the integration and contracting of persons at risk of social exclusion. The funding will be used to install 300 containers to collect garments in cities all over Spain and to improve the traceability systems of this collection and promote the Cáritas network of secondhand stores known as Moda Re-.



**Our commitment:** to achieve that by 2023, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.

## 02/ Zero Waste

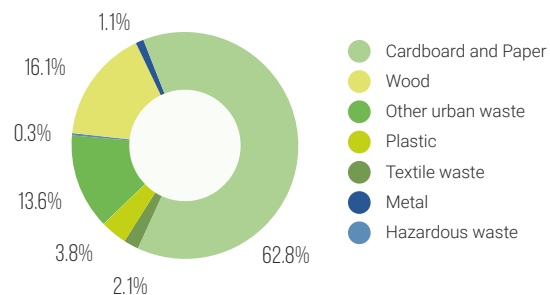
### 02.01/ Our commitment

We are working towards the goal of ensuring that, by 2023 and by integrating the Circular Economy concept in our business model, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.

To achieve this goal we have *Zero Waste*, a programme designed to collect, classify, recycle or recover the waste generated at our facilities.

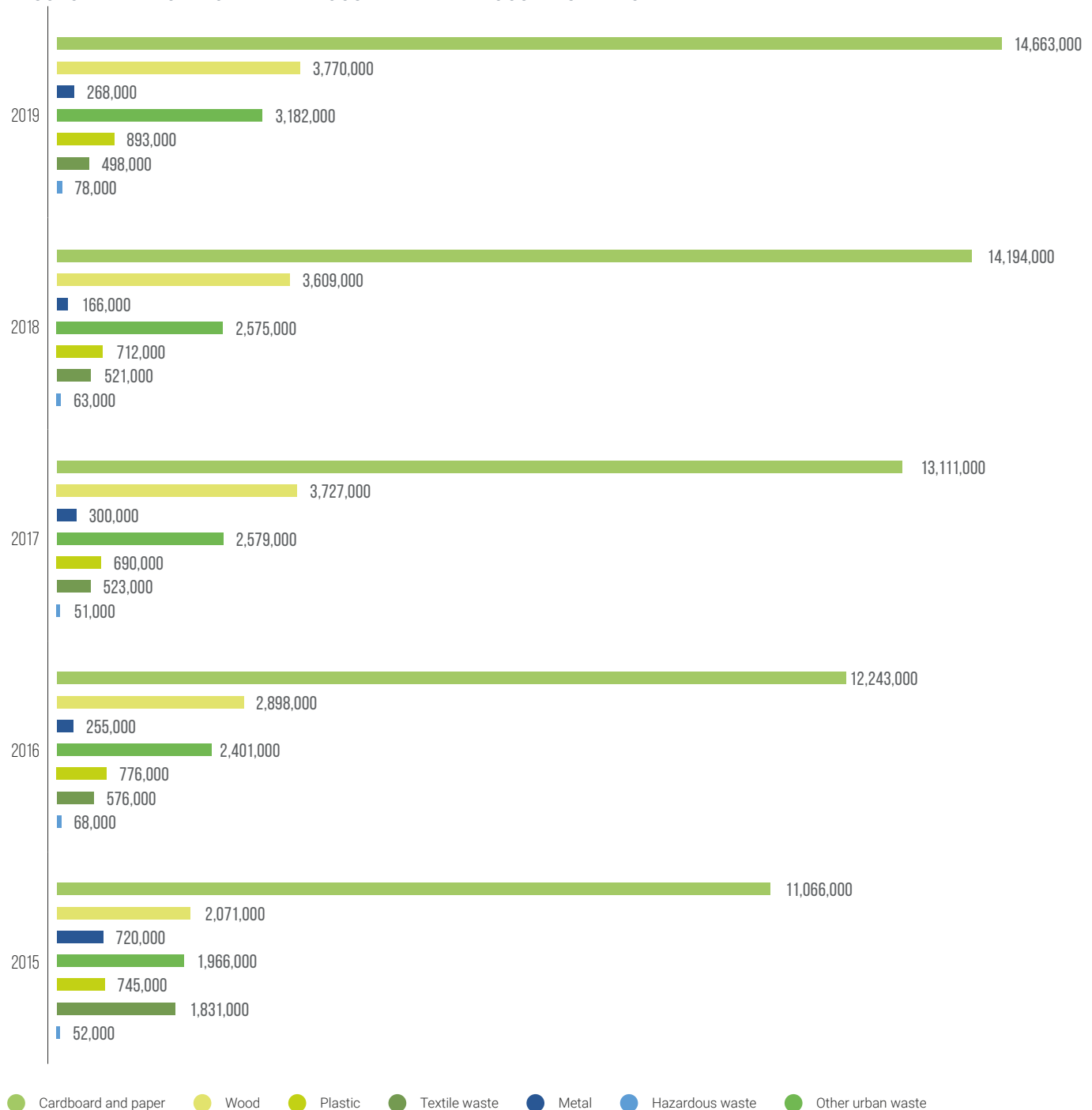
The appropriate waste classification at our facilities is the main essence of the *Zero Waste* programme, as duty classified waste becomes material resources. We have developed internal devices to optimise the separation and compacting of such materials, reducing greenhouse gas (hereinafter, GHG) emissions associated with their transport and improving ergonomics during operation.

We classify our waste according to the European Waste List (EWL) and the transpositions thereof into national and regional legislation. The waste that is mainly generated, as it can be observed in the following graph, is cardboard and paper, plastic, wood, metal and the textile remains, and this waste is managed by legally authorized managers for the subsequent recycling thereof.



Shown below is a graph with the waste generated at our headquarters, own factories and logistics centres.

### ABSOLUTE DATA ON NON-HAZARDOUS AND HAZARDOUS WASTE (KG)



The expansion of our logistics capacity has caused a slight increase in the generation of materials, but thanks to the commitment of our employees, we've been able to reduce the mixed fraction by 6.6% with respect to the total, and we've improved its subsequent recycling and recovery, thereby turning it into a new raw material.

Moreover, in line with our commitments, we are working in several areas, cited below, to reduce the use of unnecessary packing and packaging. The packing and packaging that

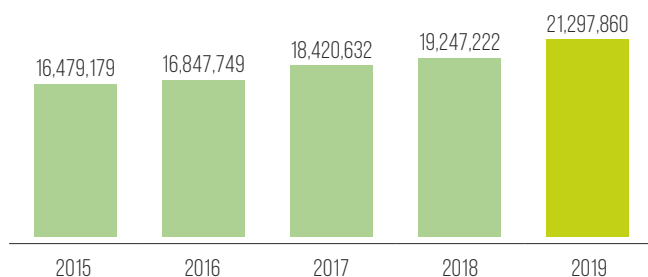
accompany our products (bags, labels and protective items) are managed by the Integrated Packing and Packaging Management Systems available in the markets where the Group operates. This means that each one of our brands pays an authorised non-profit waste manager in every market (for instance, Ecoembes in Spain) for the cost to collect and manage the packing and packaging materials used for customers.

## Reused or Recycled Waste

In accordance with our commitment and thanks to the efforts and commitment of our employees, the waste generated at our headquarters, at Inditex factories and at logistics centres is separated at the origin, collected and managed by legally authorised managers for the subsequent recycling thereof (in the case of paper and cardboard, wood, plastics, metal and textile remains, mainly), and it is given other appropriate processing that allows recovery and adequate environmental management.

The graphs of the evolution of recovered products to be sent to recycling are shown below.

### NON-HAZARDOUS AND HAZARDOUS WASTE RECOVERED TO BE SENT TO RECYCLING (KG)



During this year, 91% of the Group's hazardous and non-hazardous waste (headquarters, logistics centres and Inditex factories) was sent for reuse and recycling via the aforementioned circuits, thus preventing the use of virgin raw materials.

We collaborate with waste management companies to find new solutions for the materials that we collect at our facilities. Thanks to this work together, we have been able to develop mechanisms to turn those materials into new ones for subsequent use in our activities, such as the inclusion of cardboard from our own facilities in online boxes of Zara.com and plastic in different consumables used in our primary packaging system, in contact with the product, and from logistics.

Thanks to the separation tasks at the origin and subsequent delivery to a legally authorised manager, in 2019 we managed to ensure that around 93% of our hazardous waste was recycled, recovered and adequately processed for reclamation. **The main hazardous waste that is generated is presented below.**

Our recycling and reuse activity covers many other areas. For instance, alarm tags are also reused, having collected 1,302 million over the year.

## Single Hanger

In addition, in 2019 Zara began implementing the "Single Hanger" project in stores all over the world. It consists in the development of a single hanger for transporting garments from textile suppliers to the stores and for subsequent display in the store. The hanger is continuously reused through closed circuit systems.

Thanks to this programme, we are working together with hanger suppliers and our internal teams to unify models and materials for these products and to establish closed circuits that improve traceability and the reuse and recycling capacity.

In line with our commitment to the circular economy, the old hangers that are being removed from the stores while this project is being implemented are being recycled to generate new materials for use in other new products.

## Training

At Inditex we encourage actions to reduce at source and to enhance recycling via training projects designed for our employees. In 2019 a number of waste management training courses have been provided at the Group's facilities, with 1,905 employees. To support such training, a pilot project based at Inditex headquarters has been developed, consisting of a web application allowing employees to check the use of every waste product depending on the type of container available in each of the areas.

TYPE OF WASTE (KG)	FINAL TREATMENT	2015	2016	2017	2018	2019
Batteries	Recycling	9,532	7,945	6,580	9,193	8,227
Electronic waste	Recycling	10,094	9,776	10,149	25,091	41,329
Fluorescent bulbs	Extraction of gas and recycling	5,387	26,000	6,207	3,446	5,390
Used mineral oil	Recycling	15,080	8,242	5,083	6,766	6,066
Contaminated absorbents	Energy recovery and controlled elimination	2,786	4,969	5,818	6,873	5,689
Contaminated plastic containers	Recycling	1,366	1,521	1,740	1,061	1,365

## Microfibres

Inditex is committed to developing more sustainable products by taking into account their complete life cycle. As a part of this commitment, we are working with the main universities, research centres and international scientists, as well as with other industries and *advocacy groups*, on jointly exploring specific ways to reduce the release of microfibres and, above all, to prevent them from reaching the oceans. Specifically, we are researching and innovating along the main lines of: *design, manufacturing and final use*. Currently, we are an active member of the *Microfiber Consortium*, a consortium that is focused on facilitating the shared development of practical solutions within the microfibre framework of the textile industry.

## 03/ Green to Pack

Our *Green to Pack* programme sets the quality standards of our packaging, enabling the use of recycled materials, the extension of its useful life and subsequent recycling. This helps to reduce consumption of resources and to optimise transport.

**OVER 14,000 TONS OF OUR OWN  
CARDBOARD RECYCLED FOR NEW BOXES  
OF ZARA ONLINE SHIPMENTS**

**ZARA HOME HAS ELIMINATED PLASTIC  
FROM ITS ONLINE ORDERS**

**ZARA ELIMINATES ALL PLASTIC BAGS IN ITS STORES**

### 03.01/ Cardboard Boxes

One of the *Green to Pack* initiatives is based on improving the quality of the cardboard boxes used to ship our garments from the suppliers. This increases the useful life of our boxes which can be used up to five times before being recycled.

At the same time, we strive to recycle these boxes at the end of their useful life. This recycled cardboard is used to manufacture the boxes used for *Zara online* shipments. The quantity of cardboard collected in 2019 at our warehouses and introduced into the circularity flow of the *Zara online* box exceeded 14,000 tons.

At present all the Group's brands form part of this programme, which has enabled the project to be consolidated during this year, having acquired 14,740,028 certified boxes via 827 suppliers.

Within the scope of e-commerce, during this corporate year, in *Zara online* shipments we increased this use by 15 percentage points over traditional boxes. Moreover, along this line, in all our brands we have incorporated new markets to the paperless purchase receipt. Thanks to both measures, 232 tons of paper have been saved.

### 03.02/ Plastic

*Zara* has eliminated 100% of plastic bags in its stores in 2019, and other brands –like *Zara Home*– have also changed over to paper bags before the target date.

Throughout this year, *Zara Home* has eliminated plastic from its online shipments, which no longer have an outer bag. During the year, all other Group brands have advanced in terms of eliminating the outer plastic bag in online shipments.

All these efforts are in line with the Company's objective to eliminate single-use plastics with customers by 2023 and the objective to ensure that all plastics used in our activity can be reused or recycled, such that they are reintroduced into the circuit.

The approach adopted regarding plastics, as well as the results obtained, are reported to the *Ellen MacArthur Foundation*, following our commitment to the *New Plastics Global Economy Commitment*, driven by that foundation in cooperation with United Nations Environment.

The working plan that is currently being developed contemplates reducing the quantity of plastics in our packaging, thereby advancing towards models of reuse such as the single hanger project and innovation together with our suppliers to implement a nomenclature system, thereby allowing us to improve traceability and increase the quantity of recycled content of our plastic packaging.

***Our commitment:*** Elimination of plastic bags in all brands of the Group by 2020. Elimination of single use plastic for the customer by 2023.