ument that includes specific methodological rules for clothing and footwear products, for review by the stakeholders.

Keeping Workers in the Loop with BSR

The goal of this initiative, in which Inditex is actively involved, is to **map and explore the impact on labour of the transition to a circular economy** model in the fashion industry –primarily in the United States, India and Europe–.

This is a global collaborative project, backed by the Laudes Foundation and led by Business for Social Responsibility (BSR), in partnership with CMS – Social Impact Specialists and economists from the University of Lincoln. Its mission is to analyse how the shift towards circular fashion may affect job opportunities, quality and consumption-production dynamics, developing potential future scenarios including, for example, automation and climate change.

After compiling all this information, the project aims to develop recommendations for fashion industry leaders, policy makers and other stakeholders to promote circular models with decent and inclusive employment opportunities that are resilient to future changes.

Fashion for Good

Fashion for Good is a global initiative for accelerating innovation specialising in the textile sector. Through this platform, brands, producers suppliers, non-profit organisations and innovators work together to **scale sustainable solutions.**

At Inditex we participated in a study on the actual typology of post-consumer textile waste according to its characteristics and composition. The aim is to gauge textile waste sorting capacities in Europe.

In addition, in December 2021 we signed an agreement with Fashion for Good to accelerate various sustainability projects for our industry and society in general.

5.4.2. Design and selection of materials

GRI 102-13; 103-2; 103-3; 413-2; 306-1; 306-2; 306-3; 301-1; 301-2; 301-3; AF18; AF19; AF20 AND 304-2

5.4.2.1. Design

At Inditex we work to offer **high-quality, healthy, safe and environmentally-sustainable** products. Our designers set about making their drawings taking these considerations into account, as well as the availability of more sustainable raw materials and the aim of maximising the life cycle of our articles, prolonging their durability or facilitating their subsequent recycling.

To ensure that our designers and buying and product teams master the best practices in circularity and sustainability, we provide them with training focused primarily on sharing with them Inditex's vision of sustainability, inspiring them, and informing them of the variety of available more sustainable raw materials, the most efficient and cutting-edge manufacturing processes, circular design by article type and the corporate tools we have to ensure, for example, the traceability of the processes, among other aspects.

Article evaluation

Ensuring that our products are healthy and safe, both for consumers and for the workers involved in their production, **begins at the design stage**, since aspects such as the raw materials chosen or the processes necessary for their manufacture are parameters that influence their health and safety.

To ensure compliance with our *Safe to Wear* (StW) article safety standard, we provide the supplier with detailed manufacturing guidelines that include, among others, measurement tables with requirements for the position of appliqués and cords, maximum lengths of free ends, ways to attach components and accessories to the garment, frequency of checking small parts during garment manufacturing or what to do when a broken needle is found, among other relevant information to ensure the safety of the final product.

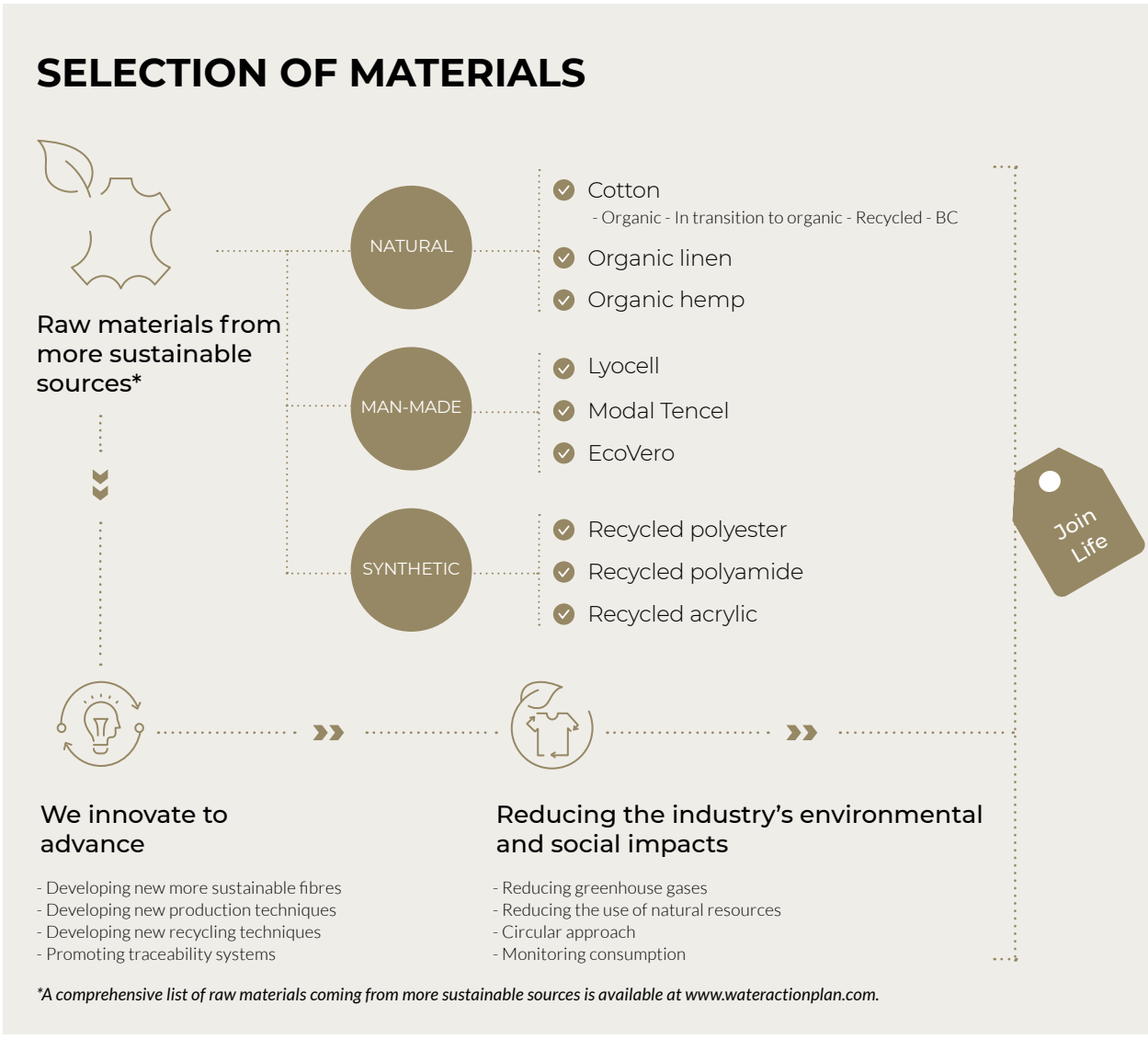
ⓘ More information about our Health and Safety standards in section *5.4.4. Health and safety of our products* of this Report.

5.4.2.2. Selection of materials

In line with our unwavering commitment to protecting the planet and its ecosystems, reducing the impact on resources and the fight against climate change, **choosing raw materials from more sustainable sources for our products is paramount.** Furthermore, we invest and work with other organisations and institutions to increase the range of materials with better environmental performance, which make more efficient use of natural resources and contain recycled materials.

These principles and guidelines are set out in key Company documents, such as our Sustainability Policy, our Sustainability Roadmap and our Biodiversity Strategy — based on the principles of the United Nations Convention on Biological Diversity. Likewise, our Forest Product Policy stipulates that any timber used to produce furniture, objects or paper products we sell must come from sustainably managed plantations or certified forests.

ⓘ More information in section *5.6. Collaborating to safeguard the planet* of this Report.



Commitments

Our commitment to the protection of ecosystems and the use of more sustainable materials has steadily grown more ambitious in recent years. Thus, at the last Annual General Meeting, held in July 2021, we announced new, even more demanding commitments in this area, highlighting, for example, that by 2023—two years ahead of schedule—**all the cotton used in our products will be organic, recycled of from more sustainable sources,** and that 50% of our products will be *Join Life* by 2022.

In line with our ambition, and thanks to the efforts of our buying and product teams, this year we have reached the following results in terms of **tonnes of raw materials from more sustainable sources** used in the articles we sell:

Raw material	2021 tonnes	2020 tonnes	2019 tonnes	2018 tonnes
Cotton from more sustainable sources (organic, recycled or other more sustainable sources)	166,195	73,874	38,676	18,851
Polyester from more sustainable sources	26,728	9,594	5,332	1,881
Linen from more sustainable sources	4,201	1,245	1,813	266
Viscose and other man-made cellulosic fibres from more sustainable sources	29,053	8,379	6,692	3,178

By 2023, 100% of the cotton and man-made cellulosic fibres used in our products will come from more sustainable sources, while by 2025 100% of the polyester and linen will come from more sustainable sources.

Thanks to the hard work in this area, in 2021 consumption of raw materials from more sustainable sources represents **42%** of the total consumed, doubling the percentage compared with 2020 (21%).

Innovation

Innovation is key for achieving our sustainability goals. Evidence of this is that Inditex was the only Spanish company to be included in the 2021 ranking of the 50 most innovative companies compiled by Boston Consulting Group (BCG). With regard to materials, our commitment to innovation focuses on fostering permanent **development of new raw materials and technologies that improve their sustainability and subsequent recycling.** In this respect, we collaborate both with renowned academic institutions and with local and international organisations.

Sustainability Innovation Hub

One of the Group's most noteworthy initiatives when it comes to innovation in sustainability is the Sustainability Innovation Hub. We have created this **platform for innovation based on collaborative technology monitoring,** to take an active part in the quest for new materials, technologies and processes that improve the environmental impact of our products and help us to advance towards more sustainable and circular solutions.

The main objective of this platform is to identify and test innovative initiatives to enhance environmental impacts, **for the purpose of scaling them in our supply chain and across the textile industry.**

From the initial *screening* process of startups and subsequent collaboration agreements, various pilot tests are conducted. The materials, technologies and processes that successfully come through this pilot phase will continue to the next stages with the aim of testing their results in the commercial phase and the industry in general. In 2021, we collaborated with more than 145 startups and took part in more than 30 pilot tests to improve production processes, aspects of recyclability and recycling, traceability and new materials, among others.

Our impact assessment methodology is based on the analysis of quantitative data obtained through Life Cycle Analysis (LCA), as well as on a qualitative approach that takes into account other aspects such as animal welfare and social issues.

KEY COLLABORATIONS WITHIN THE SUSTAINABILITY INNOVATION HUB

1. Collaboration with the Plug and Play Center tech accelerator to identify the startups best suited to our goals and the programme's philosophy.
2. Agreement with the Fashion for Good innovation platform whereby we work together with other major players in the fashion sector to promote the acceleration of sustainability projects for our industry and society in general.
3. Collaboration with Quantis to measure the environmental impacts of the projects implemented by the startups we partner with.

LanzaTech x Zara startup

In 2021, we offered our customers a series of highly innovative products thanks to our collaboration with LanzaTech Inc. This startup has developed a new CO_2 capture technology to transform carbon dioxide emissions into ethanol, which can then be used to produce new materials like polyester.

The capture and reuse of carbon dioxide emissions from industrial and agricultural processes and household waste limits the direct release of these emissions into the atmosphere and helps reduce the use of virgin fossil resources. Using technology developed by LanzaTech, fibres maintain properties similar to virgin polyester in terms of, for example, quality, performance and care.

Our brands' circularity projects

ZARA

RECYCLING OF PRE-CONSUMPTION COTTON AND WOOL FROM OUR PRODUCTION

The aim of this circularity project is to integrate in new collections the waste generated in the manufacturing process of previous campaigns. This requires working with the supply chain to develop circuits and materials that can be adapted to the quality and design requirements of the brand. Currently, this waste already transformed into new materials is present in certain Zara collections in percentages that vary between a 15% a 50%. At this moment, all Zara sections participate on it.

PULL&BEAR

CIRCULAR COLLECTIONS

For the second consecutive year, we have launched circular collections in which fibres are sourced from used textile garments (post-consumer) and leftovers from our own production. This is a complex process that requires that the garments used —once any chance of re-using them has been ruled out— are classified individually by composition and colour. Once classified, zips, buttons and any other elements that might hamper their subsequent mechanical recycling are removed. Scraps of used fabric, together with textile production leftovers, are turned back into fibres that are carefully spun into the recycled fabrics from which these collections are made. In addition to being environmentally friendly, these circular collections are notable for their:

- Local impact: the classification process takes place in textile waste treatment plants equipped with cutting- edge technology located in Spain.
- Traceability: all the information concerning recycled leftovers and garments, as well as the various processes involved, is recorded in a blockchain platform.

STRADIVARIUS

TEXTILE TO TEXTILE MECHANICAL RECYCLING PROJECT – R-Denim

The goal of this project is to market denim trousers produced from other garments—mainly also denim— in various colours and shades. The resulting trousers are made of 25% post-consumer recycled cotton, 65% pre-consumer recycled cotton and 10% recycled polyester. The main advantages of this project are:

- Positive social impact: involving local social organisations.
- Positive local impact: using a proximity circuit of extraction and manufacturing.
- Zero Waste: aligned with our zero landfill waste programme.
- Efficiency: the washing process involves less water consumption.

TEMPE[57]

CIRCULAR INDUSTRY CV

Aimed at repurposing multi-composition waste (made up of different raw materials), this project seeks ways of reintroducing waste from the footwear sector into other areas of the sector and other value chains, as well as incorporating waste from other areas into the footwear sector. Tempe's involvement in the project consists of assigning various kinds of footwear so that research can be conducted on its recycling at the end of its useful life.

57. Tempe is the Inditex Group company accounted for using the equity method, specialising in the design, manufacture and distribution of footwear and accessories for the Group's retail concepts.

ZARA HOME

RECYCLING OUR OWN COTTON WASTE

Also in line with our Zero Waste programme, we have launched in the market a series of towels made from mechanically recycled cotton threads from leftovers of our production. These leftovers are shredded and prepared through a complex recycling process to turn them back into a fibre with the right texture, resilience and feel, which is then blended with 50% virgin fibre to obtain a new cotton yarn with which to weave the new towels.

Obtaining quality thread from recycled fibre can be highly complex. However, thanks to a joint effort with highly experienced recyclers and spinners, we have been able to increase the recycled content from the initial 15% to the current 50%. This project continues, with new models and designs in the pipeline.

GREENSHOES4ALL

We continue to work on this European project that aims to implement, demonstrate and disseminate a methodology to measure the environmental footprint of footwear and to promote the development of efficient eco-design, recycling and manufacturing solutions that help to improve it. Tempe contributes to this initiative by providing data on our footwear models —composition, size and type— with 21 product inventories having so far been completed including the type and quantity of raw materials used, waste generated, energy consumed in the manufacturing, distribution and sale of products, etc.

5.4.2.2.1. More sustainable raw materials

2021 MILESTONE

The consumption of more raw materials from more sustainable sources represents **42%** of the total consumption in 2021.

a) Natural fibres

Cotton

We are committed to achieving a 100% of the cotton used in our products to be organic, recycled or from more sustainable sources (BC or in conversion cotton, among others) by 2023, two years ahead of our previous target, and the target set through the 2025 Sustainable Cotton Challenge initiative of the non-profit organisation Textile Exchange, a benchmark in the sector, of which we are a member. In 2021, we made significant strides on this front, and 65% of the cotton used by the Group is more from more sustainable.

Organic cotton

Organic cotton is cotton that has not been genetically modified and where only natural fertilisers and pesticides have been used during cultivation. As indicated by Textile Exchange, this cotton needs less water than conventional cotton. It also enhances soil quality with more nutrients that retain moisture requiring less watering, promotes biodiversity and seed diversity, as well as exclusive use of natural fertilisers and pesticides, resulting in better conditions for farmers and their families.

Organic cotton production currently accounts for less than 1% of global cotton production. In accordance with our goal of increasing the use and availability of organic cotton, we are one of the founding partners of the Organic Cotton Accelerator (OCA) initiative, which aims to support organic cotton producers to grow the sector in a sustainable way and to benefit all stakeholders, from the farmer to the end consumer and society as a whole. We have ramped up our own sourcing of the OCA cotton by 200% compared to previous year.

COLLABORATION WITH ORGANIC COTTON ACCELERATOR (OCA)

We are a founding partner of OCA, a multi-sector initiative that supports cotton farmers to ensure sustainable development of the sector, where both the farmer and the consumer benefit.

How the Organic Cotton Accelerator works

COLLABORATION

Transparency regarding the source of the cotton enables us to improve farmers' way of life, while at the same time managing the integrity of organic cotton.

SUPPLIERS AND PRODUCERS

Farmers are at the centre of the programme, working directly with a field specialist who **regularly visits** farmers throughout the process, to help them with **training and follow-up**, from growing to selling the cotton.

+9,300 farmers participate in our programme with OCA

Social and environmental benefits

Increased organic matter in the soil, due to organic pesticides and fertilisers, as well as crop rotation.

Improved water quality, with cleaner aquifers for farmers and their communities.

Improvement of animal welfare and highlighting the relevance of livestock as a generator of inputs necessary for organic crops.

Greater economic stability and equity for farmers and their families.

Photos: OCA

Inditex strongly backs in-conversion cotton as a tool to foster the cultivation of organic cotton.

In-conversion cotton

For farmers, transitioning from growing conventional cotton to organic cotton is a process that may be complex, and many therefore hesitate to make the leap. To help foster this process of transition to organic cotton, the Group supports so-called in-conversion cotton, which is cotton grown using 100% organic practices in fields where the required time has not yet elapsed to eliminate from the soil all traces of the synthetic chemicals that might have been used.

BC cotton

Inditex also cooperates with Better Cotton (BC), whose mission is to help cotton communities thrive, while helping to protect the environment by implementing practices that lower the environmental impact compared with conventional growing practices. BC seeks to foster a holistic approach to sustainability, the aim being to promote a more environmentally-friendly cotton supply chain. It is also a standard that can be quickly adopted by conventional farmers, enabling the transition to lower-impact cotton production models.

Inditex takes part in this organisation's Retailer and Brand Traceability Panel working group, set up to implement systems that allow chronological documentation and trace evidence to track the movement of products through the supply chain.

b) More sustainable man-made fibres

Protecting forests is key to fight climate change and to prevent the loss of biodiversity. Always at the forefront of best practice in the textile industry, at Inditex we are committed to ensuring that the cellulosic fibres we use to create our fabrics—lyocell, viscose and modal—come from sources that do not pose a risk to the planet's primary and endangered forests.

In this regard, the Group only uses suppliers of cellulosic fibres designated as 'green shirts' in the Hot Button Report by Canopy, an international organisation with which we have been cooperating since 2014 whose mission is to protect primary forests. For a manufacturer to earn 'green shirt' designation, it must prove that its fibres do not pose a supply risk to primary or endangered forests.

Moreover, 100% **of the man-made cellulosic fibres we use by 2023 will be from more sustainable sources**, supporting the responsible viscose commitment by the Changing Markets organisation in its Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing, which is currently activated and underway at all of our suppliers.

c) Recycled materials

Using recycled materials enables us to improve certain of our products' impacts by, for example, reducing the consumption of natural resources required to manufacture and/or treat them, and by fostering the use of the waste generated. For example, via the Sustainability Innovation Hub, we are researching alternative, innovative and sustainable materials based on second- and third-generation waste that enables us to fulfil the specific technical and durability requirements of certain products.

100%

MAN-MADE CELLULOSIC FIBRES FROM MORE SUSTAINABLE SOURCES

100% of the man-made cellulosic fibres we use by 2023 will be from more sustainable sources

Regarding recycled polyester, Inditex aims to achieve its supply in a timely and cost-effective manner in line with our goal of using 100% polyester from more sustainable sources by 2025. We have also signed up to the 2025 Recycled Polyester Challenge, a joint initiative of the Textile Exchange and the UN Fashion Industry Charter for Climate Action, which aims to accelerate the use of recycled polyester to help reduce the sector's greenhouse gas emissions.

Thanks to our efforts this year, we have managed to place a total of 41,317 tonnes of recycled materials on the market, 187% more than in 2020.

ULTRAMID® CCYLED™ BY BASF

100% Recycled polyamide made from tires

BASF and Inditex, under the framework of a pioneering research alliance in the textile industry that began in 2019, are working on industrial-scale research and development of textile recycling solutions with two approaches: textile and non-textile waste. In line with the non-textile waste approach and under specific cooperation agreements with BASF's Polyamide business unit, work is being done on the commercial development of the first Polyamide 6 and 6.6 (Ultramid® CcyledTM) used in the textile industry. The technology partners use exclusively end of life tires as feedstock at the beginning of the chemical recycling process transforming it into a raw material that can be used instead of fossil raw materials at the beginning of the value chain. The share of recycled material is third-party audited. Its commercial launch is scheduled for Zara and Oysho in the first half of 2022.

Jointly, Inditex and BASF work for further circularity solutions for textiles on industrial scale.

5.4.2.2.2. Consumption of raw materials

In 2021, we used a variety of different raw materials. For information purposes, all these raw materials have been grouped, according to their origin, into two main categories: **fibres and non-fibres.**

Raw materials	2021	2020	2019	2018
Fibres	88%	88%	89%	88%
Non-fibres	12%	12%	11%	12%

Furthermore, the fibres category has in turn been divided into three groups: **natural fibres**[58], **synthetic fibres**[59] and lastly, **man-made fibres**[60], the weight of which in terms of consumption was as follows in 2021:

% of total fibre consumption

Fibres	2021	2020	2019	2018
Natural	55%	52%	50%	49%
Synthetic	36%	38%	38%	39%
Man-made	9%	10%	12%	12%
Total	**100%**	**100%**	**100%**	**100%**

The "non-fibres" category includes many different raw materials from natural (vegetable, animal and mineral) and man-made sources, with limited relative importance in the Group's overall consumption, thus, there is no individual breakdown.

58. Natural fibres are filaments that can be threaded to obtain strands, threads or twine.
59. Synthetic fibres are made of polymers that are not naturally produced, but fully created in a chemical plant or a laboratory, almost always using petroleum or natural gas by-products.
60. Man-made fibres are made using a natural component as a raw material that undergoes a number of processes in a chemical plant or a laboratory.

5.4.2.3. Raw material control

At Inditex we have **strict health and safety standards,** such as *Clear to Wear* (CtW) and *Safe to Wear* (StW), which must be met by all the raw materials we select from the supply stage (this applies to fabrics, leathers, piping and appliqués, among others).

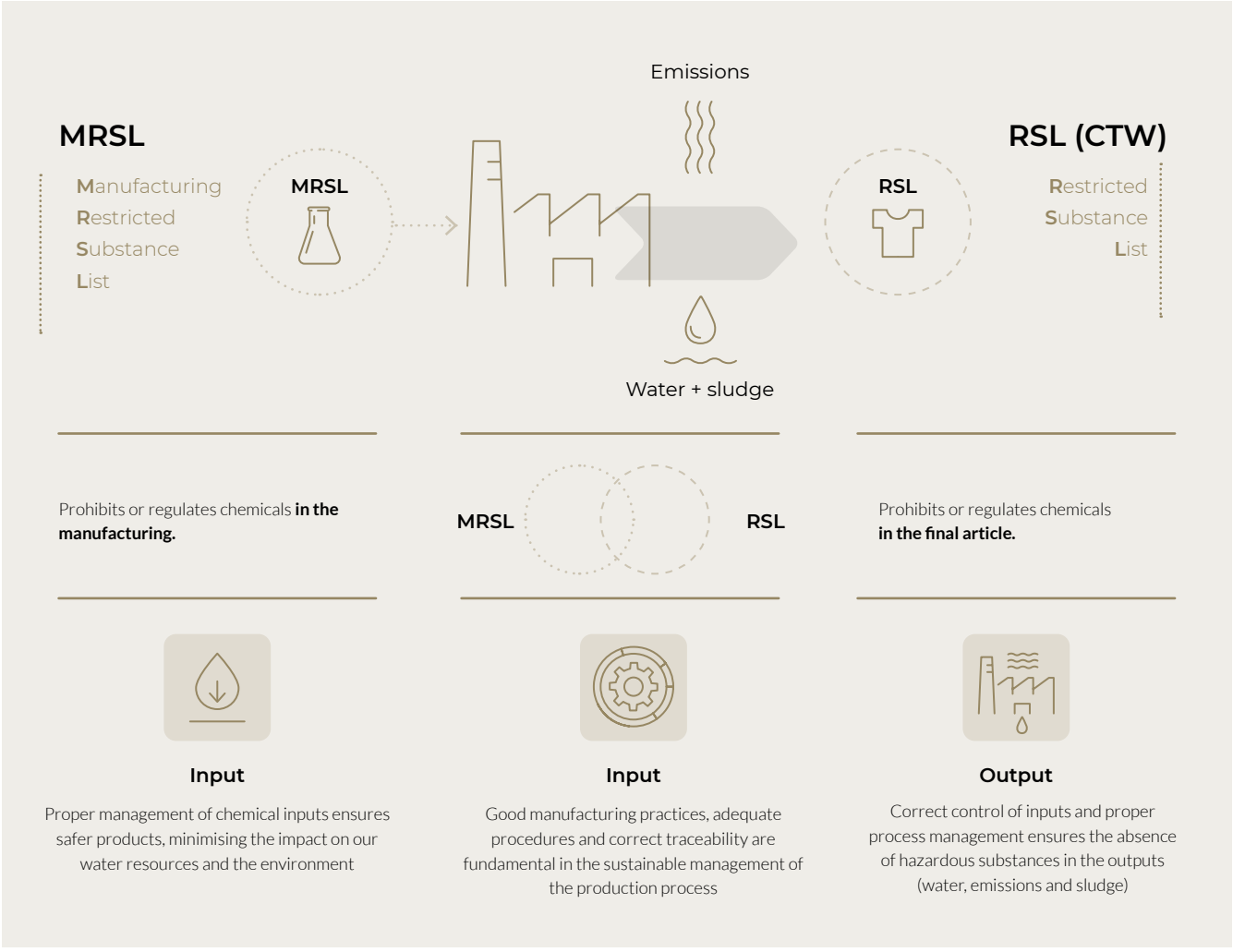
To ensure the thorough inspection of the product and prevent potential non-conformities with our product health and safety standards, we supplement the control of our *Picking* Programme with a network of internal control laboratories that perform testing according to the most stringent international standards. We have an internal analytical structure with six laboratories and the necessary technology to analyse 18 substances and parameters regulated under the Clear to Wear, Physical Testing Requirements and *Safe to Wear* standards. At these facilities we also oversee the conformity of fabrics with the health, safety, and quality parameters of our standards.

ⓘ More information in section *5.4.4. Health and safety of our products* of this Report.

The List

In 2013, *The List*, by Inditex was launched with the aim of partnering with the chemical industry to **improve the quality of the chemicals used** to manufacture articles and to enhance the health and safety control policies applied to our suppliers and manufacturers. Through an exhaustive evaluation of the manufacturers and their chemical products, *The List*, by Inditex classifies the latter according to the degree of compliance with the *Clear to Wear* standard and the *Zero Discharge of Hazardous Chemicals* (ZDHC) commitment, ensuring compliance with the chemical restrictions of both standards.

The use of the products with best classification in *The List*, by Inditex guarantees compliance with our requirements, which go beyond the ones of the Manufacturing Restricted Substance List (MRSL) and the conventional Restricted Substances List (RSL).



The huge potential of this programme is reflected in the high level of support it has received from chemical manufacturers linked to the textile and leather industry.

As part of our continuous improvement process, in 2021 we have continued to extend the case studies (to ascertain the relationship between the content of the restricted substance in a chemical product and the content after its industrial application) of the substances included in *The List, by Inditex*.

At the same time, we have continued to work with ZDHC to complete the integration of *The List* into their platform and to develop and enhance new standards of chemical certification.

ⓘ More information in section *5.4.4. Health and safety of our products* of this Report.

5.4.3. *Join Life* programme

GRI 103-2 AND 417-1

2021 MILESTONE

In 2021, **47%** of our articles placed on the market are Join Life.

At Inditex, we continuously work on our commitment to sustainability to transform the industry by reducing its environmental impact and contributing to the Sustainable Development Goals. Our *Join Life* label identifies the Group's products that use **more sustainable raw materials and more environmentally-friendly production processes.**

For the creation of a *Join Life* article, we use only those suppliers who have obtained the highest scores (A or B) in accordance with the Group's social and environmental standards or, failing that, who demonstrate a firm commitment to improvement by pledging to implement a Corrective Action Plan. Our *Join Life* products are classified into one or more of the following categories in accordance with their environmental benefits: Care for Fiber, Care for Water and/or Care for Planet.

ⓘ More information about our assessment processes and Corrective Action Plans in section *5.5.1. Sustainable management of the supply chain* of this Report.

The *Join Life* label is a fundamental aspect of the programme and enables us to share with our customers detailed information on our products and the environmental excellence properties associated with them. In this connection, in 2021 we updated our *Join Life* labels to offer the best shopping experience and information to customers: