



5.6.2. Our approach to water management

GRI 103-2; 103-3; 303-1; 303-2; 303-3; 303-4; 303-5; 308-2 AND 304-2

Reducing water usage in both our operations and our supply chain is paramount because of its potential **positive impact on the environment** and especially on marine and freshwater habitats and the communities living in them. Furthermore, reducing water consumption through more efficient management programmes and technologies implies reducing energy consumption and its associated emissions. Therefore, reducing the impact of water consumption is a goal that not only contributes to the preservation of a vital resource for the planet, but it is also key to achieving our decarbonisation targets.

OUR ROADMAP FOR SUSTAINABLE AND RATIONAL WATER USAGE

Our roadmap for sustainable and rational water usage throughout our value chain is defined by our Global Water Management Strategy. As we implement it, we develop individual initiatives and collaborate with various stakeholders to reduce our environmental impact and protect marine and freshwater habitats, always seeking the most innovative processes and technologies. Water management at Inditex is based on the principles of the CEO Water Mandate, a UN Global Compact endeavour that links environmental and social aspects.

WATER MANAGEMENT



Internal framework



Global Water Management Strategy
Roadmap that fosters collaboration among the various stakeholders with a view to sustainable and rational water management throughout our value chain.



Consumption monitoring

- ✔ Monitoring of water consumption at our headquarters, own factories, logistic centres and own stores.
- ✔ Downward trend in absolute consumption and downward/stable trend in relative consumptions.



Water management initiatives



In our own operation
Initiatives aimed at efficiency in water consumption, recovery and re-use.



In the supply chain
Collaboration with third parties to promote proper water management (wastewater analysis and improved access to drinking water and sanitation).

5.6.2.1. Consumption

Water consumption at the Inditex Group's facilities is mainly for cleaning and sanitary purposes, and therefore its discharge into municipal wastewater systems is guaranteed. In industrial settings, water is mainly used for steam generation and recirculation systems in closed-cycle industrial refrigeration, which allows us to estimate that the water discharged is equal to the water consumed. Wastewater in all facilities is discharged to the appropriate wastewater systems. At Inditex, water consumption does not affect protected habitats.

In 2021, we have consumed in our facilities –headquarters, own factories, own logistics centres and own stores consumed a total of 1,886,900 cubic metres of water. The consumption at our centres is calculated through direct metre readings and bill charges from public water utilities companies⁹².



Water consumption (m³):

Financial year	Water consumption (m ³)	Relative water consumption (litres/m ²)	Relative water consumption (ml/€)
2018	2,145,804	285	82
2019	2,068,661	260	73
2020	1,663,039	216	82
2021	1,886,900	241	68

5.6.2.2. Initiatives in own operations

To help save on water consumption, when planning new projects the Group factors in the use of **storm tanks**, which allow rainwater to be recovered from the roof and used for irrigation. In 2021, we recovered 10,439 m³ of water at our centres in Cerdanyola, Arteixo and Lelystad.

Our Indipunt facility in Narón (A Coruña) is particularly noteworthy as it harnesses advanced technology to reuse 100% of the water for garden irrigation and toilet flushing, thereby achieving significant savings in consumption. This was the first water recovery project of its kind approved in Galicia and was subject to stringent controls by the Public Administration.

5.6.2.3. Initiatives in supply chain

Our supply chain is key to our policy of responsible management of water use, as it is applied in the wet processes necessary for the manufacture of textile products (washing, dyeing and printing), as well as in the cultivation of the various raw materials we use. Consequently, in 2021 the Group established as a new environmental goal a **25% reduction in water consumption** throughout the supply chain by 2025.

We are working on various initiatives to achieve this goal:

- Increasing the facilities included in the Care for Water programme to reduce water usage and, at

92. 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 concept.

the same time, cut energy consumption as less water needs to be heated.

- Promote raw material cultivation practices that reduce water consumption.
- Draft a guide to best practices to reduce water consumption for our suppliers.
- Collaborate with external initiatives.

① More information in section 5.4. *Collaborating to transform through sustainable management of our products of this Report.*

a. Care for Water

Our Care for Water programme, framed within the Green to Wear standard, fosters the use of technologies to achieve efficient water consumption by means of the continuous improvement of the production processes of our suppliers and investment in technology.

① More information in section 5.5.1. *Sustainable management of the supply chain of this Report.*

Care for Water Improvement Programme

As part of our commitment to reduce our water footprint, one of the key programmes rolled out in 2021 is the Care for Water Improvement Programme. This initiative is aimed at providing support to facilities to optimise and reduce their water demand and obtain our highest score for their water management and use (Excellent Water Management) in Green to Wear audits. This year we have worked together with more than 170 facilities within the framework of this programme, providing them support, guidance and advice.

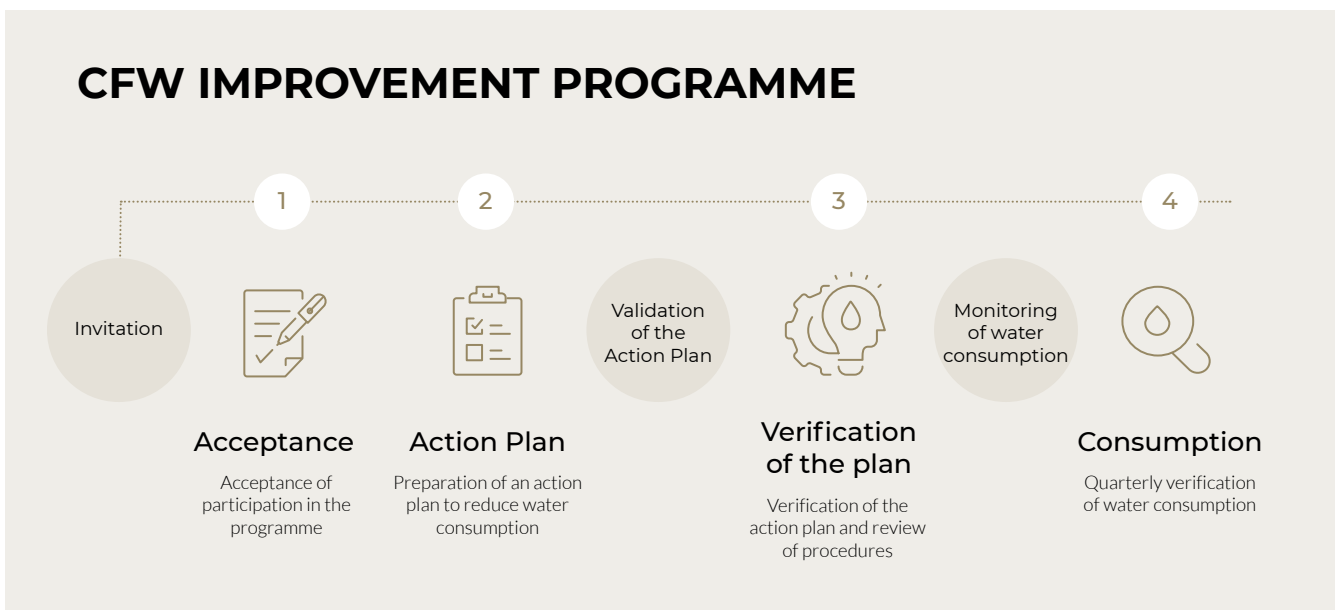
The programme has a 12-month duration for factories, starting with a 30-day period for facilities to create and propose their own action plan for water efficiency improvement, which can be designed around four pillars:

- Investment in new technology or machinery.
- Production process optimisation.
- Recovery and treatment of waste water for re-purposing in manufacturing processes.
- Zero Liquid Discharge: using 100% closed water circuits.

The action plan must in turn be structured around quarterly targets, compliance with which will be verified by a third party at the end of each quarter.

b. Collaboration in China

Inditex works with the Chinese Institute of Public and Environmental Affairs (IPE) on the continuous improvement of environmental management in our supply chain in that market. The IPE publishes the results of factories’ wastewater analyses and has acknowledged Inditex’s endeavours to improve the environmental performance of its supply chain. In its global ranking of brands, Inditex ranks fourth in the textile sector (fifth globally). In addition to textile facilities, the IPE oversees upstream chemical suppliers and centralised effluent treatment plants.



c. Other partnerships

We do not only take into account industrial water usage. Mindful of its importance to the health and prosperity of local communities, since 2015 we have been collaborating with Water.org, an international charitable organisation that works to bring water and sanitation to vulnerable populations through microloans.

① More information in section 4.4.2. *Partnerships of this Report.*

5.6.3. Our approach to biodiversity

GRI 103-2; 103-3; 308-2 AND 304-2

2021 MILESTONE

Inditex joins the LEAF Coalition.

This global initiative, which brings together companies and governments, aims to mobilise more than 1 billion dollars in funding for the conservation of tropical and subtropical forests.

The protection of biodiversity is pivotal to our sustainability strategy, not only because the production of our raw materials for textile manufacturing (cotton, fibres and cellulosic materials, leather, etc.) depends on it, but also because it is, first and foremost, a critical element for the survival and well-being of society and the planet.

In this regard, at Inditex we are committed to protecting biodiversity through the **responsible and sustainable management of natural resources** at every stage of our value chain. Our Biodiversity Strategy is based on the principles of the United Nations Convention on Biological Diversity and takes the form of actions to promote the transition to more sustainable raw materials and products, the preservation of aquatic and terrestrial ecosystems, stopping climate change and collaboration with like-minded organisations.

Sustainable materials and animal welfare

A large portion of the materials we use depend on biodiversity and essential elements such as proper nutrient cycles, water purification and crop pollination. In addition, it is necessary to reduce the impact of man-made fibres on different ecosystems. Accordingly, we carry out a number of initiatives to ensure the protection of biodiversity associated with the materials we use in our products.

① More information in section 5.4.2. *Design and selection of materials of this Report.*

BIODIVERSITY MANAGEMENT



Internal framework



Biodiversity Strategy

The aim is to foster the protection, conservation and development of biodiversity throughout Inditex's value chain and beyond.



Forest Product Policy

Guide for the selection and use of forest-sourced materials, guaranteeing that they come from sustainably managed forests.



Outstanding biodiversity initiatives



Animal welfare

- ✓ Animal welfare policy which includes ethical standards in the use of animal-based products.
- ✓ Commitments to entities such as PETA or the *Fur Free Alliance*.

Our biodiversity protection strategy also covers animal welfare and we have therefore put in place an Animal Welfare Policy that includes ethical standards in the use of animal products in accordance with the Five Freedoms of Animal Welfare for the ethical and responsible treatment of animals. The Policy was developed in partnership with the Humane Society of the United States (HSUS). Within this framework, we have adopted a **range of standards and commitments:**

- All animal-based components in articles marketed by our brands must be sourced from animals that have been treated ethically and responsibly.
- None of our products of animal origin may come from species bred exclusively for the purpose of marketing their hides, shells, antlers, bones, feathers, down or other similar elements.
- None of our brands market fur. Thus, we are strictly compliant with the requirements of the Fur Free Retailer programme by the Fur Free Alliance, an international coalition of animal protection organisations.

- None of our garments contain angora wool or mohair, consistent with our commitment to People for the Ethical Treatment of Animals organisation.

With regard to the use of other materials, all the timber used to produce furniture and objects, as well as paper products, must be certified under PEFC/FSC standards, as stipulated in our Forest Product Policy.

Alliances and partnerships

We advocate joint efforts and cooperation to protect and regenerate biodiversity through a range of **different agreements:**

Multi-sector initiatives

In 2021 we joined the LEAF coalition, a public-private financing initiative coordinated by Emergent with the aim of stopping deforestation in tropical and sub-tropical forests, and of supporting sustainable development in countries where these forests are located. Only those companies like Inditex that have

LEAF COALITION

GOALS



1 billion dollars

Mobilising at least **1 billion dollars** in financing to fight against deforestation



- ✓ Seeking large-scale impact. Bringing governments on board
- ✓ Solid social protection for communities
- ✓ Increased ambition. Private sector involvement
- ✓ Mobilising and catalysing private financing
- ✓ Results-based financing



Measuring the return on investment using the REDD+ Environmental Excellence Standard (TREES)



Membership requirements for companies: Approved science-based decarbonisation targets (SBTs)

Inditex membership: November 2021

decarbonisation targets approved by the SBTi are eligible to join the coalition.

Projects in the fashion and textile sector

In addition to being founding members of The Fashion Pact, one of whose core activities is the protection of biodiversity, we are also founding partners of Organic Cotton Accelerator, which aims to increase the availability of organic cotton. We also collaborate with CanopyStyle, which seeks to sever the links between viscose production and deforestation in primary forests, and with Textile Exchange, which helps the industry to identify areas for improvement and best practices with a view to integrating biodiversity into strategies and operations. This organisation launched the first pilot of the biodiversity benchmark in 2021, with Inditex's involvement.

① More information in section 5.4.2. *Design and selection of materials of this Report.*

Local actions

Since 2020 Inditex has been working with the *Asociación Forestal de Galicia* (Galician Forestry Association) to restore forestry areas. In the last year, more than 650 hectares were replanted, an area the size of more than 910 football pitches. A variety of conifers and hardwoods were planted, prioritising native species to protect the biodiversity of the area. Among the species most planted were the native pine, with more than 650,000 trees planted, and the chestnut, with more than 22,000.

This project optimises the capacity to absorb CO₂, enriches soils and prevents soil erosion and recovers the mobility of the forest fauna, among many other benefits.

This year, a new agreement was signed to expand this work model to more territories, incorporating representative areas of the main forest ecosystems in Galicia and Portugal.

For this purpose, it is proposed to set up a network of demonstration forests that will function as reference sites to disseminate techniques and knowledge, as well as to implement sustainable procedures for resource management and the conservation of environmental values that can be replicated by forest owners. This therefore manages to combine their role as natural greenhouse gas sinks with the use of quality forest products, seeking to promote the economic, environmental and social sustainability of these areas.

As well as protecting the environment and natural resources, this project aims to contribute to a better appreciation of the forest and its related activities, encouraging a more active engagement in the conservation and improvement of forest resources in Galicia and Portugal.

Activities carried out in Pico Sacro

- Informative sessions on forestry and environmental management models.
- Pruning of chestnut, walnut and American oak trees for timber production and of young chestnut tree trunks for fruit production.
- Clearing and weeding all the planting surface to remove the competing plants.
- Replacement of worn plant protectors.
- Maintenance tasks and replacing native dead plants in environmental conservation areas.

Trees planted

Hardwoods (total)	44,389
Birch	9,418
Chestnut	22,237
Oak	11,938
Other	796
Conifers (total)	679,938

We continue to work to make Pico Sacro demonstration forest a biological carbon sink model, as well as a forestry dissemination laboratory. This initiative is carried out in collaboration with the *Asociación Forestal de Galicia* and the Forest Stewardship Council (FSC).