

# 6

## Environment

6.1. Climate change

6.2. Water management

6.3. Biodiversity and ecosystems

6.4. The transition to a circular economy: resources, products and waste



# 6.1 Climate change

Material topic: Climate change; Pollution



## 6.1.1. Climate ambition and goals

GRI 2-23; 2-24; 3-3

At Inditex our commitments are fully aligned with the goals of the Paris Agreement, which aims to cap the increase in global temperature at 1.5°C. To achieve this we focus on reducing greenhouse gas (GHG) emissions in accordance with the guidelines of the Intergovernmental Panel on Climate Change (IPCC) and the UN Fashion Industry Charter for Climate Action.

Additionally, in 2023 we devised our new Climate Transition Plan, which charts our lines of action and the resources we estimate will be needed to attain our goals. The Plan is available at our corporate website.

More information in section [6.1.2. Our Climate Transition Plan](#) of this Report.

Also in 2023, we introduced our new sustainability commitments, including the new science-based climate targets (SBTs) that we hope to achieve over the next decade.



## Our climate commitments

### 2025:

- / Provide circularity services such as Zara Pre-Owned in key markets. This will help reduce pressure on resources and cut emissions linked to manufacturing.
- / Obtain 100% of our linen and polyester from lower impact sources, also called preferred sources<sup>(1)</sup>. This will allow us to minimise emissions in the cultivation and production of these raw materials.
- / Reduce our water consumption throughout the supply chain by 25%. And, accordingly, the emissions associated with managing, handling and heating water during manufacturing processes.

### 2030:

- / Reduce our emissions by more than 50%, including our own operations and value chain. To achieve this we will pare our absolute scope 1 and 2 emissions (i.e. our own emissions) by 90% and our scope 3 emissions (value chain) by at least 50%, with respect to 2018<sup>(2)</sup>.
- / Use only textile raw materials that have a lower impact, also known as preferred materials. With the aim of reducing, among other things, the climate impact of cultivating and producing raw materials.
- / Protect, restore or regenerate 5 million hectares in order to improve biodiversity. This will also allow us to strengthen the resilience of ecosystems and boost natural carbon capture.

### 2040:

- / Achieve net-zero emissions, reducing at least 90% of our carbon footprint with respect to 2018. The remaining 10% are emissions that are especially challenging to reduce and that will be neutralised by actions to absorb these greenhouse gases.



(1) In accordance with the definition of industry benchmark organisations, such as Textile Exchange. This defines a preferred material as "a raw fiber or material that delivers ongoing beneficial outcomes and impacts for climate, nature, and people through a holistic approach to transforming raw fiber and material production systems". We also include in this definition fibers that meet other requirements of excellence outlined by other relevant organizations such as Canopy and Changing Markets.

(2) The value chain includes the following categories of our scope 3 emissions: purchased goods and services (category 1), fuel- and energy-related activities (category 3), upstream transportation and distribution (category 4), waste generated in operations (category 5), business travel (category 6), employee commuting (category 7), end-of-life treatment of sold products (category 12) and franchises (category 14). The base year was chosen in accordance with SBTi's criteria for the completeness, verification, representativeness and ambition of the emissions inventory.

In 2023 we also submitted to the Science Based Targets initiative (SBTi<sup>11</sup>) the update of our climate commitments to 2030, including our roadmap to achieve net zero emissions in 2040. It is important to note that, since we presented our 2030 decarbonisation targets to SBTi in 2019 for first time, scientific knowledge on climate change has evolved. Accordingly, so has our commitment, which we have adapted to match the latest guidelines.



This continuously evolving work is also evidenced by our attention to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which enables us to analyse future climate scenarios and their associated risks and opportunities. This allows us to pursue a decarbonisation strategy that is consistent with science as well as being resilient and competitive in the short, medium and long term.

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① More information in section [6.1.5. Risks and opportunities arising from climate change](#) of this Report.

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Our climate commitment is aimed at supporting the transformation of the sector and the textile industry through collaboration and innovation. On the one hand, by cultivating reflection with our stakeholders on the need to replace fossil fuels, promote renewable energies and improve the impact of our use of raw materials and resources. And, on the other hand, by investing in innovative projects that enact this change.

## 6.1.2. Our Climate Transition Plan

GRI 2-24; 3-3

In 2023 we devised our new Climate Transition Plan, which evidences our commitment to a more efficient and circular fashion industry capable of tackling the climate challenge. It is available at the Group's corporate website.

The lines of action charted in our Climate Transition Plan encompass our operations and value chain, and focus on the following aspects:

### Reduction

The main focus of our actions is on abating greenhouse gas (GHG) emissions related to our products throughout our value chain. In this regard, the actions we have identified to achieve the necessary reductions revolve around:

- / Use of improved energy sources
- / Optimisation of energy management
- / Promoting circularity and the use of preferred materials

### Neutralisation

According to the SBTi, companies must neutralise the climate impact of any residual emissions by removing and permanently storing carbon from the atmosphere.

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<sup>11</sup> The Science Based Targets Initiative (SBTi) was launched in 2015 as a collaboration between CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wildlife Fund (WWF) to help businesses set emissions reduction targets based on the scientific consensus and the goals of the Paris Agreement.

Our efforts in this connection will come from both inside and outside the value chain, by promoting and fast-tracking regenerative practices, and implementing other nature-based solutions.

The weight of each line of action will develop as the frameworks evolve, in accordance with their specific availability and scale, but, in any event, will be consistent with the science and will target emissions that have not been reduced.

### Mitigation beyond the value chain

In addition to actions implemented in our value chain, it is crucial to develop initiatives that reach beyond our business so as to help mitigate the worst effects of climate change, especially with solutions that foster biodiversity or the well-being of communities.

We promote sustainable practices to improve soil health and reduce environmental impacts. Our partnership with WWF focuses on restoring forests and freshwater and marine ecosystems, and thus, we have an agreement<sup>12</sup> for more than 10 million euros. We also contribute in various regions to restoring endangered ecosystems, including those affected by forest fires. In addition to forests, we are also involved in the restoration of river basins and aquatic ecosystems in North Africa and Vietnam.

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① More information in section [6.3. Biodiversity and ecosystems](#) of this Report.

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### Interim milestones and estimated investment

We have submitted to SBTi our updated strategy for cutting our emissions associated with our business<sup>13</sup> by over 50% reduce by 2030 compared to 2018. We expect this to help us advance in the right direction so as to achieve net-zero emissions by 2040, by reducing our scope 1, 2 and 3 emissions by 90% compared to 2018, while the remaining 10% will be neutralised through carbon sequestration initiatives.

As an interim milestone to track our progress, we are targeting a scope 3 20% reduction by 2027 compared to 2018. To this end, we have developed an ambitious Roadmap, which we estimate will require financial resources of around 2 billion euros<sup>14</sup> until 2030, in terms of cost of sales, operating expenses and, to a lesser extent, investments.

This impact is considered not to be significant in the evolution of the corresponding results and financial position of the Group, especially considering that it may be mitigated by obtaining greater efficiencies both in the supply chain and in the Group's own operations.

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<sup>12</sup> This amount will be incorporated into the consolidated income statement under the Operating Expenses heading as each of the actions/projects to be carried out are executed.

<sup>13</sup> It includes scopes 1, 2 and the following scope 3 emissions according to the GHG Protocol: purchase of goods and services (category 1), fuel and energy related activities (category 3), upstream transportation and distribution (category 4), waste generated in operations (category 5), business trips (category 6), displacement of workers (category 7), end-of-life treatment of products sold (category 12) and franchises (category 14).

<sup>14</sup> This amount will be incorporated as cost of sales, operating expenses or investment as the actions and projects of the Plan are executed.

### 6.1.3. Emissions of GHG of scopes 1, 2 and 3

GRI 2-4; 2-27; 3-3; 302-1; 302-2; 302-5; 305-1; 305-2; 305-3; 305-4; 305-5; 308-2; AF21

We continually work in search of solutions that allow us to reduce the GHG emissions throughout our entire value chain. These efforts focus mainly on our Supply Chain Transformation Plan, our Fiber Plan, the implementation of circularity and efficiency programs, and the protection and conservation of ecosystems.

**/ The transition to renewable energy sources:** since 2022, 100% of the electricity consumed in our own facilities (headquarters, international offices, logistics centres, factories and stores) has come from renewable sources.

**/ Fostering energy efficiency:** we have reduced our relative energy consumption per square meter and per euro of sale by 19% and 40%, respectively, as compared with 2018.

**/ Integrating more sustainable processes in our supply chain:** we are currently working to increase the use of preferred fibres (fibres with a better impact), contribute to organic and regenerative farming and support our suppliers in processes to reduce energy and water consumption.

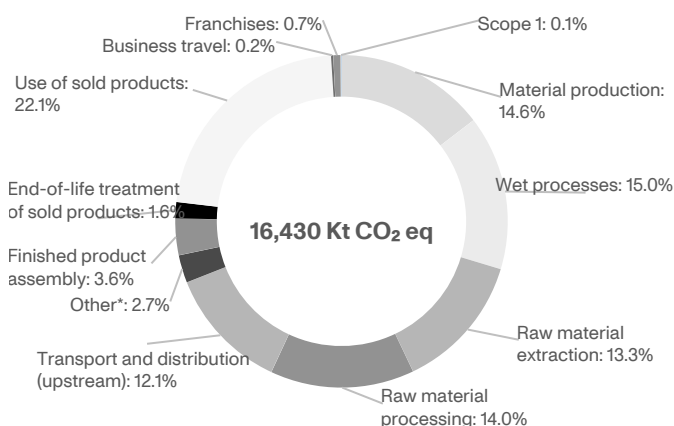
**/ Preserving ecosystems:** we collaborate with international organisations dedicated to fostering regenerative farming and stockbreeding practices and to protecting and restoring ecosystems.

**Scope 1, 2 and 3 GHG emissions (t CO<sub>2</sub>eq)<sup>(1)(2)</sup>**

GHG emissions	2023	2022	2018
Scope 1	11,512	11,232	19,172
Scope 2 market-based	0	0	419,448
Scope 2 location-based	427,885	451,430	651,266
Scope 3 <sup>15</sup>	16,418,450	15,607,245	16,389,372
Kg CO <sub>2</sub> eq per m <sup>2</sup> (market-based scope 1+2)	2	2	58
g CO <sub>2</sub> eq per € (market-based scope 1+2)	0	0	17
g CO <sub>2</sub> eq per € (market-based scope 1+2+3)	460	481	644

(1) More information on the calculation methodology in the section *How we calculate our emissions* of this chapter.

(2) Scope 1, 2 and 3 GHG emissions do not include carbon credits.

**Scope 1, 2 and 3 GHG emissions**

\* The "Others" category comprises the GHG emissions associated with capital goods, employee commuting, fuel- and energy-related activities, waste generated in our own operations and downstream leased-assets.

In 2023, our total GHG emissions have remain stable compared to 2018. Regarding the categories subject to our new public objective by 2030, the GHG emissions have increased by 4% over our 2018 base year. During the year, the Company has managed to reduce its scope 1 and 2 emissions by 97% compared to 2018. Likewise, the firm commitment to the use of preferred raw materials, which in the last campaign of 2023 already accounted for 68% of the total used by the Group, has allowed us to reduce emissions associated with the extraction of raw materials by 6% (scope 3). The gradual implementation of our Supply Chain Transformation Plan, as set out in our Climate Transition Plan, will allow us to make progress in reducing emissions associated with the rest of the scope 3 categories.

<sup>15</sup> Historical scope 3 emissions have been recalculated based on methodological improvements. In certain categories where we do not yet have primary data, regional conversion factors more specific to our sector have been used. They have been provided by Resilience, the academic partner of the Center for Risk Studies at the University of Cambridge. More information about the affected categories in the Emissions calculation methodology section of this Report

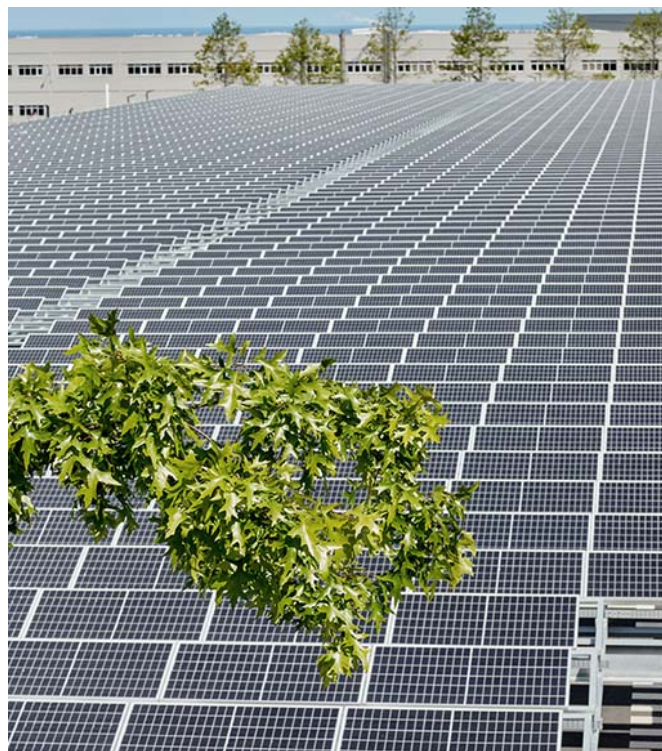
Scope 3 also includes emissions linked to the transportation of the products we market. In 2023, the emissions associated with upstream transport (inbound and outbound) were equivalent to an energy consumption of 3,444,255 MWh and 4,526,850 MWh, respectively (1,791,523 MWh and 4,031,013 MWh in 2022).

Furthermore, estimated electricity consumption in franchised stores amounted to 256,174 MWh and business travel consumption was 140,033 MWh (262,397 MWh and 130,381 MWh in 2022).

**Emissions calculation methodology**

We calculate and report the Inditex GHG emissions in accordance with the guidelines of the Intergovernmental Panel on Climate Change (IPCC - Guidelines for National Greenhouse Gas Inventories, 2006) and the World Resources Institute (GHG Protocol, 2015), which divide emissions into scopes 1, 2 and 3.

The reported GHG emission are calculated in accordance with our Company's financial control approach and include the gases CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>, and are expressed in units of CO<sub>2</sub> equivalent (CO<sub>2</sub>eq).



## How we calculate our emissions

Scope	Description	Methodology	Emission factors
Scope 1	Direct emissions related to sources under the direct control of the Inditex Group (combustion in boilers, own vehicles, etc.).	Scope 1 emissions are calculated based on the total consumption of fuel and their corresponding emission factors. Emissions associated with fuel consumption in stores and international offices as well as the possible occasional leaks (or spot leaks) of HFC and PFC gases from air conditioning units in those facilities are not included.	DEFRA (Department for Environment Food & Rural Affairs), v.1.1, 2023.  MITECO (Ministerio para la Transición Ecológica y el Retiro Demográfico) v.2.0. 2022
Scope 2	Indirect emissions related to the generation of electricity acquired and consumed by the Inditex Group.	Scope 2 emissions are calculated based on the consumption of electricity in each market and their corresponding emission factors.	<i>Location-based method:</i> / IEA (2023), Emission Factors. <i>Market-based method:</i> / Contractual instruments for renewable energy: (PPA, EACs, etc.).
Scope 3	Other indirect emissions related to the production chain of goods and services, their distribution and marketing outside the Company.	Detailed below for each scope 3 category	Detailed below for each scope 3 category
Scope 3 - Category 1: Purchased goods and services	All upstream (cradle-to-gate) emissions generated in Inditex's supply chain from the manufacture of products made available to customers. For greater transparency, we publicly disclose this category's into the following categories: raw material extraction, raw material processing, material production, wet processes and final product assembly.	Extraction of raw materials: emissions are calculated based on the tonnes of the various raw materials consumed and the corresponding emission factors.	Higg Materials Sustainability Index (MSI), 2021.
		Spinning and weaving: emissions are calculated based on the energy consumption and the corresponding emission factors. Energy consumption is estimated on the basis of raw materials consumption ratios.	IEA (2023), Emission Factors.  DEFRA (Department for Environment Food & Rural Affairs), v.1.1, 2023.
		Wet process and cutting and sewing: emissions are calculated based on the cost of our products, applying the corresponding emission factor.	<i>Risilience, academic partner of the Centre for Risk Studies of the Cambridge University</i>
Scope 3 - Category 2: Capital goods	Emissions generated as a result of the extraction, production and transportation of capital goods purchased and/or acquired by the Company.	Emissions are calculated from the investment in fixed assets, applying the corresponding emission factor.	<i>Risilience, academic partner of the Centre for Risk Studies of the Cambridge University</i>
Scope 3 - Category 3: Fuel-and energy-related activities	Emissions generated in the process of extraction, refining, production and transportation of energy and fuels purchased and acquired by the Company.	Emissions are calculated based on the global energy consumption and the corresponding emission factors.	IEA (2023), Emission Factors.  DEFRA (Department for Environment Food & Rural Affairs), v.1.1, 2023.
Scope 3 - Category 4: Upstream transportation and distribution	Emissions linked to the upstream transportation and distribution services acquired by the Company.	Their calculation takes into account the tonnes transported and kilometres travelled by each means of transport, along with the relevant emission factors.	GLEC, Global Logistic Emissions Council Framework for Logistics Emissions Accounting and Reporting, v.2.0.



Scope	Description	Methodology	Emission factors
Scope 3 - Category 5: Waste generated in operations	Emissions from the final disposal and treatment of waste generated in Inditex's headquarters, own logistics centres and own factories. Information on waste generated in construction works and own stores is not available at the required level of itemisation.	Their calculation takes into account the tonnes of each type of waste generated and the final treatment of each, along with the corresponding emission factors.	DEFRA (Department for Environment Food & Rural Affairs), v.1.1, 2023.
Scope 3 - Category 6: Business travel	Emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties.	Their calculation takes into account the origin, destination, means of transport used by Spanish agents and the corresponding emission factors. It is extrapolated to the rest of the subsidiaries on the basis of travel expenditure in Spain.	DEFRA (Department for Environment Food & Rural Affairs), v.1.1, 2023.
Scope 3 - Category 7: Employee commuting	Emissions generated as employees commute between home and work.	Their calculation involves estimating average distances covered by means of transport and commuting patterns based on bibliographic research.	DEFRA (Department for Environment Food & Rural Affairs), v.1.1, 2023.
Scope 3 - Category 8: Upstream leased assets	Emissions associated with third-party assets leased by Inditex.	Emissions associated with the assets of third parties leased by Inditex are immaterial.	
Scope 3 - Category 9: Downstream transportation and distribution	Emissions from the downstream transportation and distribution of sold products.	Not reported. Inditex is working on improving the internal corporate systems to provide this information with the degree of detail required.	
Scope 3 - Category 10: Processing of sold products	Emissions from the subsequent transformation of sold products.	Not applicable. The products sold do not need transformation to be used by our customers.	
Scope 3 - Category 11: Use of sold products	Estimated emissions from the use of products sold by Inditex.	Their calculation takes into account the energy consumed during the use phase based on bibliographic research.	IEA (2023), Emission Factors. <i>Higg Product Module Methodology, June 2021.</i>
Scope 3 - Category 12: End-of-life treatment of sold products	Emissions from the final disposal of products sold by the Company.	Their calculation takes into account the number of units sold and the final destination based on bibliographic research (20% reuse and 80% landfill).	DEFRA (Department for Environment Food & Rural Affairs), v.1.1, 2023.
Scope 3 - Category 13: Downstream leased assets	Emissions from Inditex-owned assets leased to third parties.	Emissions from downstream leased assets are calculated based on energy consumption and its corresponding emission factor.	MITECO (Ministerio para la Transición Ecológica y el Reto Demográfico), v2.0 2022
Scope 3 - Category 14: Franchises	Emissions from franchisees during the operation of franchises.	The electricity consumption of franchises has been estimated from the average consumption of own stores. This consumption is multiplied by the relevant emission factor.	IEA (2023), Emission Factors.
Scope 3 - Category 15: Investments	Emissions from Inditex investment activities.	Not applicable.	

The Inditex Group's scope 1, 2 and 3 emissions have been independently verified by Ernst & Young in accordance with ISAE 3410 standard.

### Conversion factors used for the calculation

/ 1 tonne of diesel = 1.035 tonnes of oil equivalent (toe).

/ Diesel density = 0.842 kg/litre, DEFRA (Department for Environment Food & Rural Affairs), v.1.1, 2023.

/ 1 toe = 41,868 GJ.

/ 1 GJ = 277,778 kWh

### Monitoring energy consumption

Our Global Energy Strategy, approved in 2015, underpins our commitment to progress towards a low-carbon economy.

This Strategy aims to promote the rational and efficient use of energy throughout our value chain, reducing GHG emissions and helping to mitigate their effects.

Our global energy consumption includes energy consumed in:

/ Corporate headquarters and international offices<sup>16</sup>.

/ Own logistics centres.

/ Own factories.

/ Own stores.

In 2023 our global energy consumption amounted to 1,606,212 MWh<sup>17</sup> (5,782,364 GJ), of which 1,551,492 MWh came from renewable sources. This implies a 19 % reduction in relative energy consumption per square metre as compared with 2018 (in 2023, 761 MJ/m<sup>2</sup>).

### How much energy we consume

Year	Global energy consumption (MWh)	Relative energy consumption (kWh/m <sup>2</sup> )	Relative energy consumption (Wh/€)
2023	1,606,212	211	45
2022	1,694,817	228	52
2018 (base year)	1,969,127	262	75

### What type of energy we consume (MWh):

Year	Electricity	Natural Gas	Other fuels
2023	1,551,492	44,064	10,656
2022	1,636,795	49,269	8,753
2018 (base year)	1,865,074	103,724	329

<sup>16</sup> In 2023, the scope of these indicators has been expanded to include the electricity consumption of international offices. The electrical consumption that occurred in these facilities in previous years is not available in our systems with the necessary level of detail.

<sup>17</sup> This indicator records all the energy consumed at our Group's headquarters, international offices, own stores, own logistics centres, own factories and by our own vehicles. Fuel consumption in stores is not included. Electricity consumption in stores has been calculated on the basis of actual billing data and consumption recorded in our Energy platform. For those stores or periods for which we do not have information available, it has been estimated considering average consumption.

### How much electricity we consume in our own headquarters, logistics centres and factories:

Year	Total electricity consumption (MWh)	Relative electricity consumption (kWh/m <sup>2</sup> )	Relative electricity consumption (Wh/€)
2023	184,784	49	5
2022	176,432	48	5
2018 (base year)	159,434	50	6

### How much electricity we consume at our stores:

Year	Global electricity consumption in stores (MWh)	Relative electricity consumption in stores (kWh/m <sup>2</sup> )	Relative electricity consumption in stores (Wh/€)
2023	1,366,708	359	38
2022	1,460,363	389	45
2018 (base year)	1,705,639	394	65

### Environmental Management System

Energy efficiency is a priority at our facilities as it helps minimise our carbon footprint and reduces the environmental impact of our operations.

Our Environmental Management System (EMS), certified to ISO 14001 international standard, enables us to advance in the use of renewable energy and transition towards more efficient and circular management models.

This system is **implemented at 100% of our corporate headquarters and our own factories and logistics centres**. Furthermore, a team of 29 people oversees its proper implementation, as well as preventing environmental risks linked to these facilities.

In 2023 and 2022, no significant penalties or fines were imposed for breaches of environmental regulations in force. Moreover, we do not have facilities in protected areas.

## 6.1.4. Lower-impact consumption and efficiency and optimisation initiatives

GRI 2-4; 3-3; 302-1; 302-2; 302-5; 305-6; AF21

### 6.1.4.1. Lower-impact consumption

At our Company we are committed to generating and procuring energy from renewable sources to help us reduce our greenhouse gas (GHG) emissions.

We thus invest in generating renewable energy at our own operating centres. Specifically, we have facilities for the generation of photovoltaic and wind energy, as well as geothermal and solar thermal energy.

Since 2022 we have fulfilled our goal of obtaining 100% of the electricity at our own facilities from renewable sources. In fact, in 2023 we consumed 1,551,492 MWh of electricity from renewable sources at our facilities, excluding the energy we generated.

#### How much electricity from renewable sources we consume<sup>(1)</sup>:

Year	% of electricity coming from renewable sources
2023	100%
2022	100%
2018 (base year)	45%

(1) In the case of renewable energy certificates, the period for the data is the calendar year, instead of the financial year (period of this Report).

#### Self-consumption

Self-consumption means renewable energy produced on our premises or in nearby locations to meet our energy needs. We use photovoltaic and wind power systems to operate with clean energy and cut our emissions.

In 2023 we had various active photovoltaic generation plants and a wind turbine generator that produced 7,049 MWh of electricity (7,756 MWh in 2022) with the following installed capacities: 3 MW in Lelystad, 1 MW in the employee car park at our Arteixo Central Services facilities, 850 kW of wind power at Arteixo Central Services and 100 kW in the Arteixo Technology Building, 200 kW in the headquarters of Zara.com and Zara Man, 30 kW in the Tempe 1 centre, 200 kW in the Tempe 3 centre, 200 kW in the Tempe 3S centre and 100 kW in the Laracha fabric warehouse and 71 kW in the canteen of Pull&Bear headquarters in Narón. In addition, 206 MWh of thermal energy was generated by geothermal sources and solar panels in our Arteixo Central Services and Tordera facilities in 2023 (362 MWh in 2022).

Another notable self-consumption initiative is the development of the **Outer Port Wind Facility in A Coruña** in collaboration with the city's Port

<sup>18</sup> The investment planned for the year 2024 allocated for this project, is included in the estimated investment budget referred to under Information on the outlook for the Group in the Consolidated Directors' Report. Information regarding the financial year 2023 is included in the Consolidated Financial Statements (*Note 14*).

<sup>19</sup> Additionality is a feature of power purchase mechanisms designed to encourage the construction of new renewable energy generation infrastructure that would otherwise not necessarily be developed.

Authority. The project, scheduled to enter into operation in 2026 and with an estimated investment of 34 million euros<sup>18</sup>, is for the installation of three wind turbine generators with an installed capacity of 5.5-6 MW. Through this initiative, we aim to generate on-site the renewable energy necessary to cover the annual electricity required by our headquarters in Arteixo, and also to supply clean electricity to the port's own infrastructures.

In 2023 the project obtained the statement of exceptionality and it is currently in the process of requesting the environmental impact statement.

#### Power Purchase Agreements

In addition to implementing self-consumption initiatives, we promote the implementation of new renewable energy sources through **power purchase agreements (PPA)**, which are long-term agreements between consumers and energy producers.

These agreements enable producers to finance the construction of new renewable energy generation infrastructure, even when there are no official incentives or subsidies. They are a way to facilitate the sustainable and long-term implementation of new projects.

At year end, we have two virtual power purchase agreements (VPPA) in place for periods of 10 and 12 years, with a total installed capacity of 136 MW. The related projects are in the development phase, in some cases pending final approval, and will come on stream in 2025.

These agreements allow us to consume renewable energy regardless of the location of our operations, while contributing clean energy to the grid. We aim to continue working in this sphere to promote additionality<sup>19</sup> by generating new renewable energy capacity.

① More information in *Note 26 Financial instruments and risk management policy* of the Consolidated Annual Accounts.

#### Energy Attribute Certificates

Where we encounter restrictions in the implementation of certain mechanisms, we turn to alternatives such as green tariffs and Energy Attribute Certificates.

These certificates<sup>20</sup> issued by a third party certify that a specified amount of electricity has been generated from renewable sources. Other than in exceptional few cases, renewable energy from the certificates we use is generated in the same electricity market where the electricity is consumed.

In 2023, more than 90% of the energy attribute certificates we acquired met the requirements established by benchmark organisations, such as CDP.

#### Phasing out fossil fuels

Our decarbonisation strategy aims to reduce the use of fossil fuels such as natural gas. To achieve this we promote the electrification of fossil fuel-based systems. This strategy, combined with our work on renewable electricity, implies a near 100% reduction in emissions.

In 2023 we launched a collaborative project with Naturgy and EDAR Bens, the publicly owned water treatment utility that operates in the metropolitan area of A Coruña, to convert the biogas generated by wastewater into biomethane.

We are also currently developing new lines of research such as process optimisation, hydrogen generation, and the inclusion of new effluents (sludge). At the same time, we are always on the lookout for similar projects that will allow us to completely eliminate fossil fuel consumption at our headquarters and distribution centres by 2035.

#### 6.1.4.2. Efficiency initiatives and optimisation

##### Efficiency in corporate headquarters, own logistics centres and own factories

Energy efficiency helps us to control the consumption of resources with the aim of reducing it and mitigating our impact on the environment. Hence, we make the necessary investments in all our headquarters and platforms, and we promote best practices in our teams and processes

Among these best practices is the application of bioclimatic and sustainable architectural criteria in the design and construction of our headquarters. In fact, since 2009 we have been certifying our flagship spaces in accordance with the most widely recognised sustainable construction standards, such as the LEED certifications developed by the US Green Building Council<sup>21</sup>.



<sup>20</sup> The acquisition of these certificates, to the extent that they cover the energy consumption of the period, are incorporated into the consolidated income statement under the heading of Operating Expenses at the time of their acquisition.

<sup>21</sup> All the certifications are currently valid.



## LEED and BREEAM certification in distribution centres and headquarters



**LEED Platinum**

2 Certified

- / Inditex Data Processing Centre in Arteixo
- / Zara.com studios in Arteixo



**LEED Gold**

11 Certified

- / Inditex Group's Central Services in Arteixo (phase IV)
- / Zara Logística offices
- / Zara Logística canteen
- / Pull&Bear headquarters
- / Canteen in the Pull&Bear headquarters
- / Cabanillas logistics platform
- / Massimo Dutti headquarters
- / Massimo Dutti logistics centre
- / Oysho headquarters
- / Stradivarius headquarters
- / Logistics connection hub at Lelystad



**LEED Silver**

2 Certified

- / A Laracha fabrics warehouse
- / Lelystad ironing facility



**LEED CI Certified**

1 Certified

- / Inditex Group's Central Services facilities in Arteixo (phases I, II, III)



**BREEAM ES In Use**

1 Certified

- / Tempe 3 building

In addition, we continue to certify our facilities in Spain under the international standard ISO 50001, which distinguishes efficient and sustainable energy management processes. In 2023, our Central Services, the A Laracha logistics platform and CPD, Indipunt, Europe logistics platform, León logistics platform and Meco logistics platform have renewed or obtained this certification.

### Efficiency and sustainability in our stores

Energy efficiency and the implementation of best practices are priorities in our physical and online stores.

Accordingly, we periodically review our standards to align them with best practices and implement new programmes for continuous improvement and progress in the sustainability of our stores.

At present, 8 stores have LEED Platinum certification, 27 have LEED Gold certification and 1 has BREEAM certification.

Also notable is that by the end of 2023, 80% of our own stores were connected to the central Inergy platform, which allows us to monitor and optimise energy consumption in order to boost energy efficiency.

### Atmospheric emissions and noise pollution

Atmospheric emissions from combustion equipment at our logistics centres, such as heating boilers and steam boilers, are subject to regular checks and inspections by authorised control bodies. This ensures that our atmospheric emissions of gases such as carbon monoxide (CO), nitrogen oxide (NO<sub>x</sub>) or sulphur dioxide (SO<sub>2</sub>) remain within the established limits.

Moreover, to mitigate the noise levels associated with the distribution and supply of our products at night, we have an Unloading Equipment Protocol in place.

### Supply Chain

The Supply Chain Transformation Plan is vital to advance the achievement of the climate objectives that we have set. One of the essential tools of the Plan lies in the environmental improvement plans that are developed in collaboration with the main facilities of the suppliers and manufacturers in our supply chain.

Furthermore, in relation to energy management, the objectives to be achieved by the facilities participating in the improvement plans are the following:

- / To increase the purchase and/or generation of electricity coming from 100% renewable sources.
- / To reduce thermal energy consumption in relation to stationary thermal sources.

The facilities that participate in this program propose an action plan to achieve these objectives from their starting point, on which quarterly monitoring of energy consumption is carried out.

To evaluate its degree of progress, we rely on a network of experts who, together with our internal teams, analyse the viability of the action plan, validate its implementation, conduct follow-ups and provide advice at all times.

In addition to the environmental improvement plan, we have implemented a number of measures to provide lower impact consumption alternatives in our supply chain.

These efforts focus on three key areas:

#### / Reducing energy consumption

We provide information to our suppliers on the best ways to reduce energy consumption through an online platform which is accessible to the entire industry through our corporate website.

We use this same channel to make available to them the knowledge acquired through our collaboration with third parties on potential innovative solutions. For example, new dyeing and washing methods using fewer resources and, therefore, lowering the associated emissions.

Other measures include replacing equipment with more efficient iterations, the proper maintenance of equipment or changes to production processes.

#### / Replacing fossil fuels

Some production processes require the use of energy to generate steam. That is why we encourage our suppliers to electrify their equipment and, where no other options are available, to use alternative fuels such as certified biomass from agricultural waste solely as a valid solution for generating thermal energy.

We also ensure that no facilities in our supply chain install new coal-burning boilers, by means of proprietary tools such as our pre-assessment audit or the Green to Wear standard. Our goal is to eliminate the use of coal in our supply chain by 2030.

#### / Use of renewable energies

To foster the deployment of renewable energy in our supply chain, we provide information to our supplier clusters regarding the availability of renewable energy, the relevant regulations, the necessary procedures and the estimated costs.

By doing so we aim to give them the tools and knowledge to introduce renewable energy sources in their operations.

As a result, we expect that by 2030 at least 50% of the electricity used in manufacturing processes in our supply chain will come from renewable sources, reaching 100% by 2040.

## Other collaborations to reduce emissions in the supply chain

In 2023 we have joined two specific programmes of the United Nations Fashion Industry Charter for Climate Action:

**/ Bangladesh Peer Action Group:** aims to collectively move towards a planned strategy to phase out the use of coal. In addition, at Inditex we contribute to the promotion and development of renewable energy sources in the fashion industry.

**/ Net Zero Pakistan:** aims to make the textile supply chain in Pakistan more resilient and reduce the emissions intensity of the Pakistani textile industry.

In addition, we have participated in the **Fossil to Clean** campaign by signing the open letter presented at COP28 in Dubai. This call from more than 200 companies urges governments to address the complete elimination of the use of fossil fuels and the increase in the use of renewables and energy efficiency.

5% of this fuel produced by Repsol in all its cargo flights for Inditex out of Zaragoza.

We have also collaborated with Maersk, RENFE and Cepsa to promote a new rail link in southern Spain. This corridor links Algeciras and Madrid using second-generation biofuels in the non-electrified section between Algeciras and Cordoba, and renewable electric power between Cordoba and Madrid.

Likewise, we collaborate with CFL multimodal, KLOG Logistics and Ikea on an intermodal connection between Sète (France) and Poznań (Poland). This connection is used in the distribution of our physical and online store products.

In 2023 we renewed our collaboration with the NGO Smart Freight Centre, whose mission is to help quantify impacts, identify solutions and disseminate decarbonisation strategies in freight transport. As premium partners we are members of the Sustainable Freight Buyers Alliance (SFBA) to promote the transition to a zero-emission freight transport, in partnership with supply chains.

We also promote sustainable alternatives for our employees' commutes, such as the 344 electric vehicle charging stations in central services, logistics centres and our own factories that in 2023 supplied more than 875,000 kWh<sup>22</sup> from renewable sources (more than 397,000 kWh in 2022).

### Efficiency in transport and distribution

At Inditex we are endeavouring to make our transport more efficient and sustainable.

That is why we have several lines of action linked to transport, which will help us to minimise its impact and reduce emissions from our distribution and logistics operations in the following ways:

- / Electrification, new fuels and fleet efficiency
- / Analysis of shipping flows and promotion of multimodality
- / Transport optimisation

In 2023 we signed an agreement with Maersk to reduce our carbon footprint in maritime transport. This agreement ensures that the freight company will use alternative fuels in their vessels, such as green methanol or second-generation biofuels, reducing emissions by 80% for every litre of fuel consumed, according to research by Maersk. Our goal is to use alternative fuels for at least 90% of our maritime shipping by 2025.

At the end of October an agreement was reached by Atlas Air and Repsol to supply sustainable aviation fuel (SAF) so as to decarbonise a portion of the cargo flights the air freight company carries out for Inditex from Zaragoza Airport. As a first step, Atlas Air will initially incorporate



<sup>22</sup> Electrical consumption by electrical vehicle charging points in Group central services facilities, own logistics centres and own factories.

### 6.1.5. Risks and opportunities arising from climate change

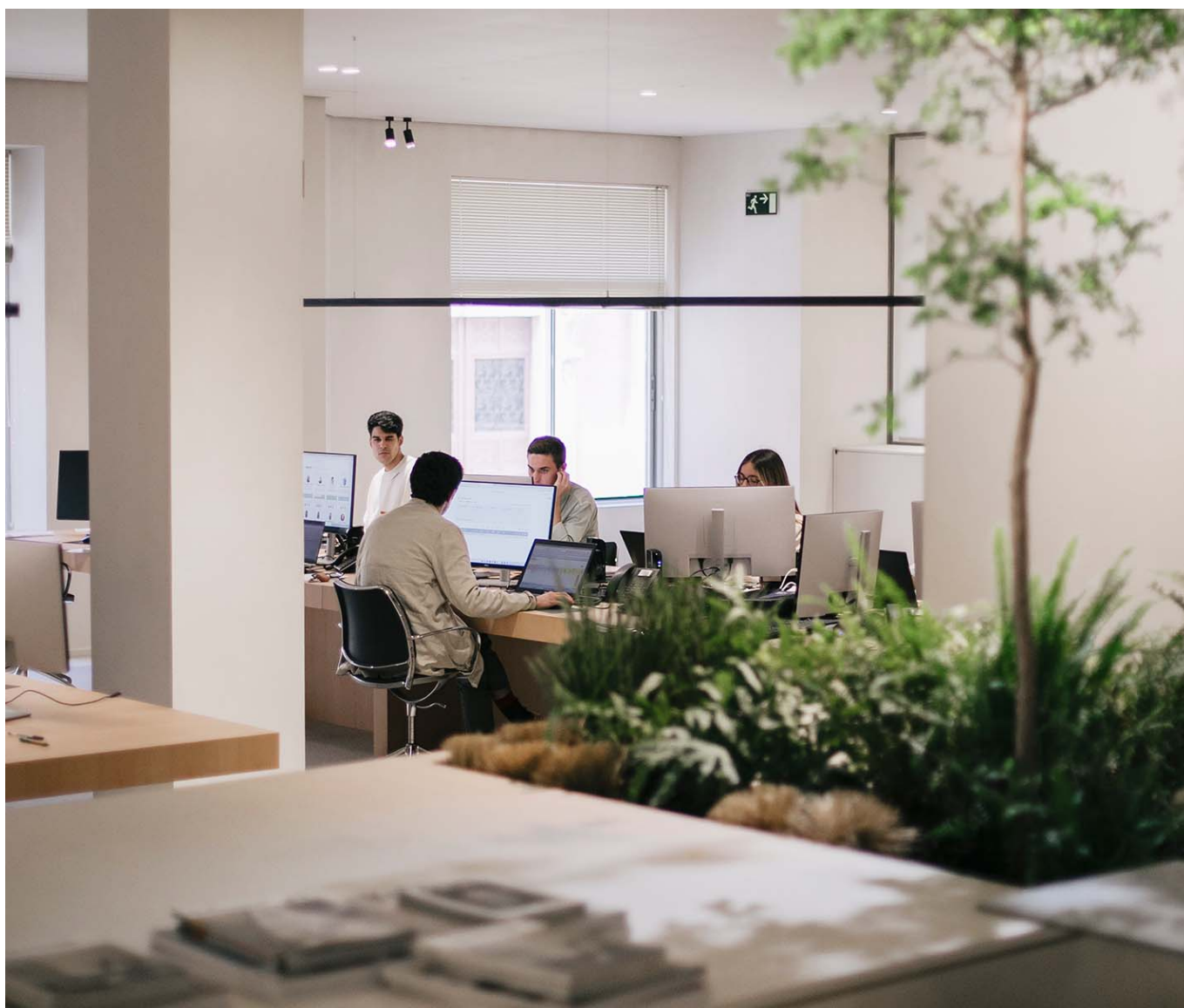
GRI 201-2; 3-3; 302-1; 302-2; 302-5

The assessment and management of climate change risks and opportunities gives us essential information to improve our decisions and achieve an efficient management.

Furthermore, this process helps us to foster collaboration in climate change action, enhancing the transparency of our endeavours on this front.

Our framework for managing and disclosing risks and opportunities is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and other standard-setting bodies.

Accordingly, there follows an outline of our actions in connection with the TCFD pillars: **governance, strategy, risk management, and metrics and targets.**





## Climate risks for our Group

### Physical risks

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#### Acute

Caused by natural events, including more severe extreme weather events, like cyclones, hurricanes and floods, among others.

#### Chronic

Long-term changes in weather patterns that may cause an increase in sea level, chronic heat waves or changes to seasons, among other phenomena.

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These physical risks may cause damage to material goods and disrupt the supply chain in the following scenarios:

- / Changes in the availability of water resources.
- / Vulnerability in respect of other specific resources or raw materials on which Inditex depends, such as cotton, viscose, etc.
- / Potential disruption in shipping routes.
- / Workers health and safety.

### Transition risks

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#### Market

The markets where we operate may be affected by climate change in different ways, but one of the main ones is through changes in the supply and demand of certain raw materials we use in our operating processes, and the products we sell to our customers.

#### Regulatory and legal

Government policy actions on climate change continue to evolve towards a low-carbon economy. Generally speaking, their objectives fall into two categories: initiatives aimed at reducing greenhouse gas emissions or policies designed to promote climate change adaptation. In this scenario, the Group's carbon footprint throughout its value chain (scope 1, 2 and 3 emissions) could be subject to the price of carbon.

Another mounting risk is legal in nature. In recent years, there has been an increase in litigation linked to climate change. The Group is exposed to the risk of not being able to mitigate the impacts of climate change, a lack of adaptation and/or an insufficient disclosing of the financial implications of climate change.

#### Technological

In today's fast-evolving technological landscape, the Group may be exposed to the possibility of having to undertake sizeable investments in operations and infrastructure to adapt to climate change. It will also have to manage the depreciation and/or obsolescence of existing assets in its own operations that are not suited to a low-carbon economy. The members of our value chain face the same risk, which could eventually be passed on to the Group through higher sales and operating costs.

#### Reputational

As the pace of society's transition to a low-carbon economy speeds up and public opinion changes, the Group's individual contribution may come under increasing scrutiny, especially if the Group's transition, or that of our industry, towards a low-carbon economy fails to meet the market's expectations.

### 6.1.5.1. Climate governance

Our climate governance is aimed at ensuring that the risks and opportunities linked to climate are adequately tackled to meet the challenges posed by climate change.

In this regard, our sustainability strategy and our climate change policies are approved by the Board of Directors, the most senior leadership, and integrated into our Company's business model and decision-making processes.

Our Sustainability Roadmap establishes our goals for advancing towards a low-carbon economy. To ensure that our sustainability actions are aligned with these objectives, the Board of Directors conducts quarterly reviews.

In this way we address the challenges of climate change by ensuring its inclusion in strategic and operational decision-making process.

Climate governance follows the same processes and is conducted through the same bodies as all other sustainability-related matters.

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① More information on the organisational structure of sustainability and climate change governance, the associated responsibilities and the monitoring and oversight processes in the relevant infographic included in section [5.1.1. Good Corporate Governance](#) of this Report.

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### 6.1.5.2. Strategy

At Inditex, we take a comprehensive approach to risk, analysing future climate scenarios and identifying the associated risks and opportunities to ensure a resilient long-, medium- and short-term strategy.

Our climate risk assessment methodology is based on that of the University of Cambridge's Centre for Risk Studies. Accordingly, we work with its academic partner, Resilience, to design a climate risk assessment under different scenarios in the short- (0-5 years), medium- (5-10 years) and long-term (more than 10 years).

This research allows us to holistically address climate change and anticipate the risks and opportunities it presents over a time horizon that takes into account the large scale and long-term nature of climate change, as well as the asset's<sup>23</sup> lifespan, and the planning and business cycle of our Group.

#### Analysis of the scenarios

We use the analysis of scenarios to understand the potential impacts of climate change on our Company. We can then apply this knowledge to strategic planning, risk management and assessing our resilience.

In 2023 we continued our collaboration with the University of Cambridge to make further headway in the resilience of our value chain and be able to include in our analysis the mitigation measures that result from implementing our programmes to reduce our carbon footprint.

The emissions pathways used in our analysis of scenarios correspond to the latest data published in the Sixth Assessment Report from the Intergovernmental Panel on Climate Change (IPCC) in 2022.

In 2023, Resilience updated several of its models concerning physical, regulatory and legal liability risks. These updates, combined with improvements in the data showing our exposures (financial projections, facilities, etc.), provide a revised view of physical and transition risks.

To assess the potential impacts on Inditex stemming from physical and transition risks, we used five scenarios with five different emissions pathways:

- / No policies (>4°C by 2100)
- / Current policies (3°C by 2100)
- / Announced policies (2.5°C by 2100)
- / Paris Agreement (2°C by 2070)
- / Paris Agreement ambition (1.5°C by 2050)

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<sup>23</sup> The time horizons were established on the basis of the useful life of the assets on the balance sheet (see Consolidated Financial Statements [note 3.2 Accounting Principles](#), b) Property, plant and equipment), which is reviewed annually. The useful life of the Group's assets is currently established as medium and long term.

## Analysed Scenarios

### Effect on GHG emissions

> 4°C	3°C	2.5°C	2°C	1.5°C
200 %	-50 %	-75 %	Net 0	Net 0
in 2100	in 2100	in 2100	in 2070	in 2050
<b>No policies</b>	<b>Current policies</b>	<b>Policies announced</b>	<b>Paris Agreement</b>	<b>Paris Agreement ambition</b>
Assumes an increase in energy consumption and emissions by the end of the century, with anti-decarbonisation policies.	Continuation of the current trend, with no new policies or changes to the existing ones.	Includes the current commitments and objectives published, such as those defined in the Nationally Determined Contributions (NDCs).	In line with the Paris Agreement, which requires rapid and global change in the energy system, technology and behaviour.	Urgent and radical political response, requiring a swift and systemic overhaul of the energy system and sweeping changes in society, as well as more investment in technological innovation.

Each pathway develops a socioeconomic narrative regarding regulatory changes, energy prospects or technological advances based on existing data sources, and likelihood of occurrence.

In our analysis of climate risks and opportunities, we considered short (0-5 years), medium (5-10 years) and long (more than 10 years) time horizons.

According to the analysis outcome, in the short term, the most significant impacts relating to climate change are connected to transition risks. Consequently, in the next five years transition risk is likely to evolve at a faster pace as a result of changes in the regulatory framework, in energy supply and demand, or legal proceedings. The most ambitious decarbonisation pathways in terms of emissions reductions result in potentially greater transition risks.

In the short term (up to five years), physical risk deriving from climate change does not significantly vary across the five emissions pathways. Uncertainty about climate patterns over longer time horizons increases the probability of this risk.

### Method of analysing financial impacts

We quantify the potential impacts of these scenarios by means of a financial representation of the Group we call its digital twin.

The digital twin is regularly updated with information regarding financial estimates, key facilities, value chain (including natural, man-made and synthetic raw materials and the geographic presence of our value chain –raw material origins, factories, distribution centres, transportation hubs, etc.), geographic breakdown of the business and greenhouse gas emissions for the Group's scope 1, 2 and 3.

Each risk is analysed independently, assuming there are no interdependencies or trade-offs between them.

The result of this methodology yields the potential losses in the estimated cash flows. The Earning Value at Risk, which is discounted to obtain its present value, facilitates the quantification of the total financial impact of each scenario.

The different items in the Group's income statement (sales, raw materials costs, transport and distribution costs, incident response costs, among others) are translated into cash flow's impacts. Furthermore, when modelling and obtaining these cash flows at risk, the Group assumes for the different scenarios of physical and transition risks the ability to transfer part of the impacts to the business activity.

In order to represent the evolution of our future cash flows over a five-year period, the Group's budget is used to build the first year, the estimated business plan for the following three years and for the period not covered we project a final year maintaining a growth rate and an expense structure similar as of the last year of the business plan, which includes the projects and capital investments<sup>24</sup> contemplated by the Group.

Due to the nature and long-term horizon of climate-related risks, especially in the physical dimension, the Group needs to estimate the impacts beyond the five-year time horizon. For this purpose, once the cash flows forecasted by the Group for the short term (0-5 years) have been established, this balance sheet and cash flow structure is projected statically to year 5 for the medium term (5-10 years) and to year 10 for the long term (more than 10 years).

#### Earning Value at Risk

Earning value at risk and the related cash flows at risk are measures of the potential impact of the risk stemming from a deviation of the expected cash flows as a result of climate risk.

The estimated global value of the Company's cash flows for the next five years—resulting from climate-related risks—was modelled without yet including mitigation actions. We are working on quantifying the mitigation measures, many of which come from our sustainability strategy, so as to be able to assess the residual risk.

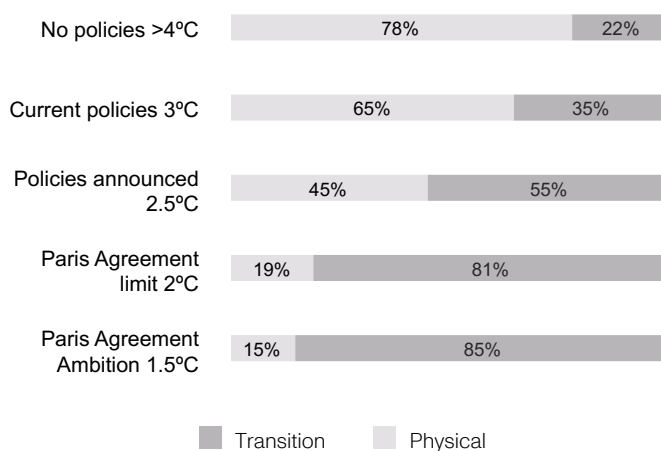
In the 'Current policies' scenario, the second-least severe when it comes to transition risks, the aggregate risk from climate change is considered strong in the Group's critical risk map in terms of its impact and probability.

<sup>①</sup> More information in section 5.1.3. *Responsible risk management* of this Report.

The identification and assessment of physical and transition climate risks are subject to numerous uncertainties, arising, among other things, from the complexity of anticipating how the climate may evolve over the years. These uncertainties mean that the data contained in this report may be inaccurate in the future, depending on how the climate evolves and the scientific consensus regarding the process of climate change. Such data therefore represent the best estimate that can be made using existing climate information and models.

Thus, climate modelling is a complex discipline that is subject to three major uncertainties: the natural variability of the climate, the adjustment of the climate model to reality, and the adjustment of the emissions evolution scenario to reality. Climate scenarios are not forecasts, predictions or sensitivity analyses, but hypothetical constructions of plausible futures based on science, aimed at assessing the resilience of a company's assets, business model and strategy in the face of such scenarios.

With respect to total estimated risk, the table below shows the profile of each of the risk dimensions for the five pathways used, distinguishing between physical and transition risks in the short term:



#### a) Physical risks

There are three possible types (dimensions) of physical risks from climate change:

- / Acute risks: caused by extreme weather events.
- / Chronic risks: the result of gradual changes in long-term weather patterns.
- / In some cases, there may be a combination of both acute and chronic.

The analysis of physical risks was conducted on 16,000 own and third-party facilities in our value chain. The facilities analysed are of different types: factories, logistics centres, offices, airports, ports, logistics hubs, stores, etc.

Each facility has recovery curves assigned to it, depending on the severity of the scenarios, their vulnerability and resilience to each climate phenomenon.

<sup>24</sup> See Note 2 of the Consolidated Annual Accounts in 'Significant estimates and assessment of uncertainty'.

Seven climate phenomena are considered in the analysis: heatwave, freeze, water stress, river flooding, coastal flooding, 'temperate' storm<sup>25</sup> and tropical storm. The choice of these physical phenomena is based on Cambridge University's relevance criteria for our business.

Each threat is evaluated using a base-case scenario (year 2000) and a change forecast. The base-case scenario is compiled using the historical meteorological series of the last 40 years, while the forecasts are based on a risk estimate through 2030, 2040 and 2050. In order to weigh the financial impacts of extreme weather events caused by climate change, the changing probability and severity of each event is used to quantify the increase or reduction of the physical impacts

expected at bin level. The base-case scenario also makes it possible to assess existing risks, especially water stress in the river basins where the Group's own or third-party facilities are located, particularly in Spain, where the Group's main assets are concentrated<sup>26</sup>.

Over the course of this year our stores have been affected by nine natural disasters due to extreme weather events (six in Spain, two in Italy and one in South Korea), mainly heavy rain, snow or hail. Although they have caused damage to our stores and disrupted the normal cycle of our operations, their impact on the Group was immaterial.



<sup>25</sup> Flash flooding was not considered this time as a result of the IPCC Assessment Report update, but will be included again in future analyses.

<sup>26</sup> For more information, see our responses to the CDP Water questionnaires, available at [www.cdp.net](http://www.cdp.net).


## Financial impact of physical climate risks<sup>(1)</sup>

### Physical dimension: Acute



Scenario	Impact on business model	Model assumptions	Main mitigations
<p>This scenario envisages the possibility that extreme or catastrophic weather events (such as storms, floods, freezes, etc.) may reduce the productivity of the Group's activities, disrupt its normal performance and/or increase the costs of operations and processes. Using geolocation of the facilities, the scenario quantifies the projected impacts of various climate threats that could affect our value chain over a five-year time horizon, weighted by their probability of occurrence. The impact is assessed in terms of estimated lost cash flows. It is a function of the severity and duration of the disruption of the facility or facilities. The vulnerability of facilities to different climate hazards depends on their typology and/or their relevance to the value chain. Depending on these attributes, the scenario translates into different impacts and speeds of recovery of the facilities until they return to a normal operating condition.</p>	<p>The impact of extreme weather events on the Group's activities includes physical damage to, or even destruction of, facilities, considering both the asset itself and the goods that are dependent on the facility or facilities affected. The impact on expected cash flows tends to be expressed in terms of the total cost of the physical assets destroyed, normally as the cost of their repair or reconstruction and/or the loss of market value of the damaged goods.</p> <p><b>Impact on revenues and costs:</b> the disruption may trigger a decrease in expected cash flows due to a decline in Group sales depending on the operations' level of dependence on the affected facility or facilities, possible impairment of property, plant and equipment and loss of inventories.</p>	<ul style="list-style-type: none"> <li>/ Each key facility is assigned a degree of dependence and contribution to Group revenues commensurate with its participation in our value chain. The scale of the disruption translates into the corresponding loss of income.</li> <li>/ Extreme weather events are modelled independently, assuming that they are uncorrelated.</li> <li>/ The current portfolio of key facilities is assumed to remain static over the five years of projected impact.</li> <li>/ The vulnerability functions of key facilities have been parametrised on the basis of expert knowledge grounded on empirical data. The functions are homogeneous for all geographies. For a limited group of especially relevant assets, specific recovery curves are applied. Work is underway to develop specific curves for other asset types.</li> </ul>	<ul style="list-style-type: none"> <li>/ Most of the facilities are related to the supply chain and our commercial network so there are technical contingency systems in place that would mitigate the consequences of a disruption or shutdown.</li> <li>/ Continuous review systems, along with the insurance policies, would cover loss of profit and resulting expenses.</li> <li>/ In the specific case of logistics centres, they have been configured so as to be able to take on storage and distribution capacity for other centres in the event of a contingency caused by extreme weather events.</li> </ul> <p>① More information in chapter 5.1.3. <i>Responsible risk management</i> of this Report.</p>

## Financial impact of physical climate risks<sup>(1)</sup>

Physical dimension: Acute and Chronic 			
Scenario	Impact on business model	Model assumptions	Main mitigations
<p>This scenario envisages the possibility that unexpected extreme weather events may cause disruptions in estimated revenue in the short term due to changes in consumer demand. Consumers could change their shopping behaviour due to weather conditions, and traffic in stores could also decrease as a result of weather conditions, or if the distribution of merchandise to points of sale is interrupted.</p> <p>The scale of the impact depends on the usual climate of a particular market or geography (for example, extreme heat generally causes more problems in typically moderate climates than it does in hot areas).</p>	<p>The vulnerability/sensitivity of the Group's product portfolio to different extreme weather events is also modelled. Their aggregate global impact varies in accordance with the sensitivity of the demand for the Group's various products and retail formats, as well as the dependence of sales either in physical stores or online.</p> <p><b>Impact on earnings and costs:</b> extreme weather events can impact short-term normal earnings flows. Sales may be affected by changes to demand if consumers change their behaviour due to the weather, reduced retail traffic or if the value chain experiences local disruptions.</p>	<p>/ The risk of disruption to market demand is parametrised for three types of extreme weather events: heat wave, drought and freeze (other threats that affect limited areas and whose impact should not be material, such as storms, are not considered).</p> <p>/ Each product category is assigned a vulnerability function for various severity levels. These functions determine the severity of changes in demand.</p>	<p>/ All areas of the Group are geared towards satisfying customer needs and guaranteeing the best shopping experience, which is why our activity begins by actively listening to our customers and identifying their demands and expectations.</p> <p>/ Flexible, integrated and innovative business model that affords a competitive advantage when it comes to analysis and response in the short, medium and long terms.</p>
			<p>① More information in chapter <a href="#">5.2.1. Business model and strategy of this Report</a>.</p>

## Financial impact of physical climate risks<sup>(1)</sup>

Physical dimension: Chronic



Scenario	Impact on business model	Model assumptions	Main mitigations
<p>This scenario envisages changes in long-term weather patterns affecting the agricultural productivity of the crops from which the different textile fibres used by the Group are derived (cotton, linen, wool, leather, cellulosic fibres and cashmere; work is ongoing to add other relevant raw materials). Changes in weather patterns may make it unviable to produce certain crops in some regions of the world in the future or may significantly reduce their yields. The effect of such phenomena would be a potential change in the supply and availability of raw materials. The financial impact on cash flows at risk is estimated over a five-year time horizons.</p>	<p>The Group is exposed to potential disruptions in agricultural value chains due to chronic changes in weather patterns, which could jeopardise the supply of raw materials needed to manufacture our products. In some cases the production of these raw materials is concentrated in limited or even exclusive geographic areas, making their replacement difficult or impossible.</p> <p><b>Impact on earnings and costs:</b> losing the supply of these raw materials would disrupt business, potentially resulting in a decrease in sales if the shortage caused by the event cannot be recovered and/or selling costs rise due to a reduced or absent supply of the raw materials.</p>	<p>/ In the analysis of agricultural risks, for each crop type the impact on yield was modelled in accordance with a range of variables (precipitation patterns and shortage, temperature variations, extreme temperature, etc.)</p> <p>/ Crop vulnerability functions are parametrised using the FAO (Food and Agriculture Organization) and Ecocrop database to determine the suitability of a specific environment by optimal conditions for the growth of the various crops.</p> <p>/ In order to estimate the financial impacts (decrease in sales or increase in procurement costs), the degree of dependence on the different raw materials analysed at retail format and Group level is considered.</p> <p>/ The Group's degree of dependence on the raw materials analysed is static over the five years of projected impact.</p>	<p>/ The Group's collaboration with other organisations and institutions to increase the range of materials with better environmental performance, which make more efficient use of natural resources with recycled content.</p> <p>/ We have the Fibres Plan, with exacting commitments for the use of materials with lower impact, also known as preferred materials.</p> <p>/ The Group's efforts and work to foster the development of technologies to improve the sustainability of the raw materials and their subsequent recycling.</p>

(1) The risk trend reflected here corresponds with the short term.

### Transition risks

Transition risks are financial and reputation risks associated with the transition to a low-carbon economy. These risks take into account the nature, speed and trend of changes in policies, legal frameworks, technologies, reputation and market.

Transition risks vary significantly depending on the level of ambition of each pathway analysed and affect all areas of our business.

To calculate their financial impact, we have examined five dimensions of transition risks in the short, medium and long term:

- / Regulatory
- / Legal liability
- / Technology
- / Market
- / Reputation



## Financial impact of transition risks<sup>(1)</sup>

Transition dimension: Regulatory



Scenario	Impact on business model	Model assumptions	Main mitigations
<p>Establishing an explicit carbon price is a key mechanism to incentivise the transition to a low-carbon economy. These policies are currently determined and implemented both at national and regional level. The aim is to gradually obtain some degree of international coordination. As a result, the carbon prices used in our models vary from country to country with the aim of covering all global emissions by 2025.</p>	<p>In this scenario, the Group would pay a price for the emissions generated throughout its value chain. The Group's carbon footprint in each of the countries in which it operates is considered and the carbon price in each jurisdiction is applied. This includes scope 1 (direct emissions from sources owned by the Company), scope 2 (indirect emissions from the electricity purchased) and scope 3 (other indirect emissions related to the Group's value chain).</p> <p><b>Impact on cost:</b> the Group's financial impact stems from the increase in production and distribution costs, and the cost of raw material procurements, in terms of the increase per unit of product.</p>	<ul style="list-style-type: none"> <li>/ The scenario applies greenhouse gas (GHG) emissions in accordance with production, defined as fossil fuel consumption in the country for the industrial production of goods and services, as well as energy generation.</li> <li>/ All emissions are subject to a carbon price. The price for different economic sectors is given separately.</li> <li>/ The increased costs associated with carbon price mechanisms are transmitted through the Group's routine overheads, i.e. its general expenses, distribution expenses and raw materials costs.</li> <li>/ There are no financial or fiscal incentives or benefits derived from carbon price revenue. Public administrations allocate most of the revenues to environmental expenditures, the economic benefits of which are not incorporated in this model.</li> <li>/ Suppliers are assumed to pass on 100% of their cost increases to us. The Group passes on a portion of these to its end customers.</li> </ul>	<ul style="list-style-type: none"> <li>/ Group Sustainability Roadmap that reflects Inditex's firm commitment to progressing towards a low-carbon economy model. The goal of net zero greenhouse gas emissions by 2040, science-based decarbonisation targets (SBTs) by 2030, and the commitment to using 100% renewable electricity at our own facilities, achieved in 2022.</li> </ul> <p>① More information in section <a href="#">8.3.3. Monitoring, assessment and continuous improvement</a> of this Report.</p>

## Financial impact of transition risks<sup>(1)</sup>

### Transition dimension:

Legal liability



Scenario	Impact on business model	Model assumptions	Main mitigations
<p>This scenario considers developments in climate-related litigation, a consequence of scientific advances that allow climate change to be linked to specific events, paving the way for potential attributions of liability. The scenario assumes that major lawsuits are filed against the Group, claiming damages based on its relative contribution to global greenhouse gas emissions. As lawsuits start to proliferate in different jurisdictions, initially in the most emissions-intensive sectors, the textile industry becomes a potential target for litigation.</p>	<p>Damages are estimated based on the scale of our operations, and translate into claims. On average, cases are assumed to take several years to be resolved. Plaintiffs aim to pressure the Group beyond the potential legal ruling, exerting increased media and reputational pressure.</p> <p><b>Cost impact:</b> the intensity of lawsuits related to GHG emissions and climate change that the Group may experience will vary depending on the different emissions pathways. Their probability of occurrence and potential impact will also vary depending on the estimated impact (settlement, legal costs, severance pay, etc.).</p>	<p>/ The model uses a decision tree to evaluate a range of potential outcomes, each with a probability of occurrence and leading to different impacts. The model harnesses historical data from other sectors that serve as a 'benchmark', and experts' opinions, all based on the company's specific characteristics. The model's output is the estimated financial impact given the conditional probability of each outcome.</p>	<p>/ Inditex's Sustainability Policy establishes that all the Group's activities will be conducted in the most environmentally-friendly way possible, fostering the conservation of biodiversity and the sustainable management of natural resources.</p> <p>① More information in section <a href="#">5.2.2. Sustainability strategy</a> of this Report.</p> <p>/ Solid Compliance System in place and a robust corporate governance system that ensures compliance with regulations, guidelines and best practices in this connection.</p> <p>① More information in sections <a href="#">8.1. Corporate ethical culture and solid Compliance architecture</a> of this Report and <a href="#">F.1.2.</a> of the Annual Corporate Governance Report.</p>

## Financial impact of transition risks<sup>(1)</sup>

Transition dimension:  
Technology



Scenario	Impact on business model	Model assumptions	Main mitigations
<p>This scenario analyses how the Group's competitiveness might be affected by the development and use of new technologies that are less GHG-intensive, considering their operating costs and the demand for our products. The Group must decide how and when to invest to reduce emissions in its value chain so as to attain an optimal combination of profitability and early adoption to design its R&amp;D strategies.</p>	<p>In a fast-moving technology market, the Group must invest to ensure its operations and infrastructure do not lag behind. At the same time, it must manage the potential obsolescence of existing assets. The value chain faces the same challenge as the Group. Costs relating to the renewal of the value chain are ultimately expected to be passed on to the Group.</p> <p><b>Impact on cost:</b> stemming from the depreciation and liquidation value of assets, additional CapEx and increased raw materials costs.</p>	<p>/ This model considers the costs to the Company of investing in low-emission technologies and boosting the efficiency of operating assets, as well as distribution costs. Asset improvements include new transportation assets (trucks, etc.), as well as the factory upgrades to improve energy efficiency. For each technology, the model assumes that a portion of the total global assets are updated according to the different emissions pathways at a specific cost.</p> <p>/ The costs of technological improvements are compared with current average unit costs. The model takes into account basic balance sheet data in connection with the Group's buildings, facilities and equipment. In addition, key supply chain facilities are also considered. The model assumes that the Group carries out technology upgrades at key facilities and in the Group's vehicle fleet.</p>	<p>/ Innovation is an inherent and transversal value throughout the Inditex business model, which is why we collaborate with our suppliers and other organisations to find innovative solutions that may be applied throughout the value chain and life cycle of our products. Inditex's Sustainability Innovation Hub is clear evidence that it is seeking to foster the circular economy, contribute to decarbonisation and maximise environmentally-friendly development.</p> <p>④ More information in <a href="#">section 6.4.1. Initiatives to progress towards a circular model of this Report</a>.</p>

## Financial impact of transition risks<sup>(1)</sup>

Transition dimension: Market



Scenario	Impact on business model	Model assumptions	Main mitigations
<p>This scenario envisages an increasing market interest in sustainable products and services. Certain consumer segments change their shopping habits to enhance their environmental and social impact. Carbon-intensive companies and sectors are coming under increasing market scrutiny. Potential changes in supply and demand patterns jeopardise the Group's market share and cost of capital.</p>	<p>Consumer preferences are trending towards alternative products and services that produce lower emissions. This could lead to the emergence of new competitors that propose innovations that transform demand, resulting in a loss of market share and potentially an increase in the Group's cost of capital.</p> <p><b>Earnings and costs impact:</b> impact on demand is expressed as the loss of earnings and/or failure to comply with growth targets. Investor sentiment translates into an increase in the cost of capital and in the cost of financing. The different emissions pathways determine the scale of these impacts.</p>	<p>/ Market adoption rates of sustainable products have been parameterized in the model based on a series of key attributes (market potential, innovation coefficient and imitation coefficients).</p> <p>/ The Group's product portfolio remains static over the different time horizons. Sales of sustainable products are growing at a moderate pace in the short term. It is assumed that the potential scale of sustainable products does not encompass all consumers, although the rate of adoption varies according to the level of ambition of the different pathways.</p> <p>/ The model assumes that changes in consumption patterns affect every sector. The Group is able to pass-through some of the losses to customers.</p> <p>/ It is assumed that the impact on consumer demand outweighs the impact on investors, as the market remains focused on industries with higher emissions.</p>	<p>/ The Group's commitment to customers also implies anticipating their demands in matters such as diversity, sustainability or transparency, issues in which the aim is to involve them in the efforts and progress made.</p>

## Financial impact of transition risks<sup>(1)</sup>

Transition dimension: Reputation



Scenario	Impact on business model	Model assumptions	Main mitigations
<p>This scenario considers a context in which we do not advance towards a low-carbon economy. The widespread frustration with the failure to meet emission reduction targets causes a negative shift in public opinion towards large companies, especially in those sectors that have historically been the most emissions-intensive. Negative sentiment is fuelled and amplified by media campaigns. Large consumer segments engage in climate activism, focusing on specific companies through sustained campaigns and boycotts with considerable repercussion. In extreme circumstances, the shift in consumer sentiment unleashes a deterioration in investors' perception, with consequences for the Group's access to markets. This trend runs parallel to the growth of sustainable shopping, as reflected in the Market scenario. When sustainable alternatives gain traction, those retail formats that do not adapt tend to experience a significant decline in customer demand. In contrast to the Market dimension, impacts are idiosyncratic and consumers avoid the Group or specific brands.</p>	<p>The main impact for the Group is a decline in demand for its products and/or brands, which varies according to specific trends, with the resulting loss of sales and market share. Investor sentiment, meanwhile, weighs on the Group's share price and financial situation. Financing costs (capital and debt) worsen. There is a risk of becoming a target for the increasingly numerous 'consumer activists'. The scale of the impacts depends on the level of ambition of the different pathways.</p> <p><b>Earnings and costs impact:</b> the impacts on demand are materialised through the loss of earnings and/or failure to comply with growth targets. Market sentiment translates into impacts on the cost of capital and financing.</p>	<p>/ Two key factors define the model: the change in our customers' preferences towards more sustainable products and the level of activism among consumers. The model considers two opposite trends. On the one hand, activism, which increases inversely to the level of ambition: the lower the ambition, the more activism there is. On the other hand, consumers' preference for more sustainable products, which is greater in more ambitious pathways, thereby reducing the demand for conventional products.</p>	<p>/ Inditex's Sustainability Roadmap includes ambitious targets and actions aimed at achieving the long-term goal as a lever of transformation. The Group collaborates with all the actors in the value chain and with stakeholders to tackle global challenges from a holistic standpoint.</p>

(1) The risk trend reflected here corresponds with the short term.

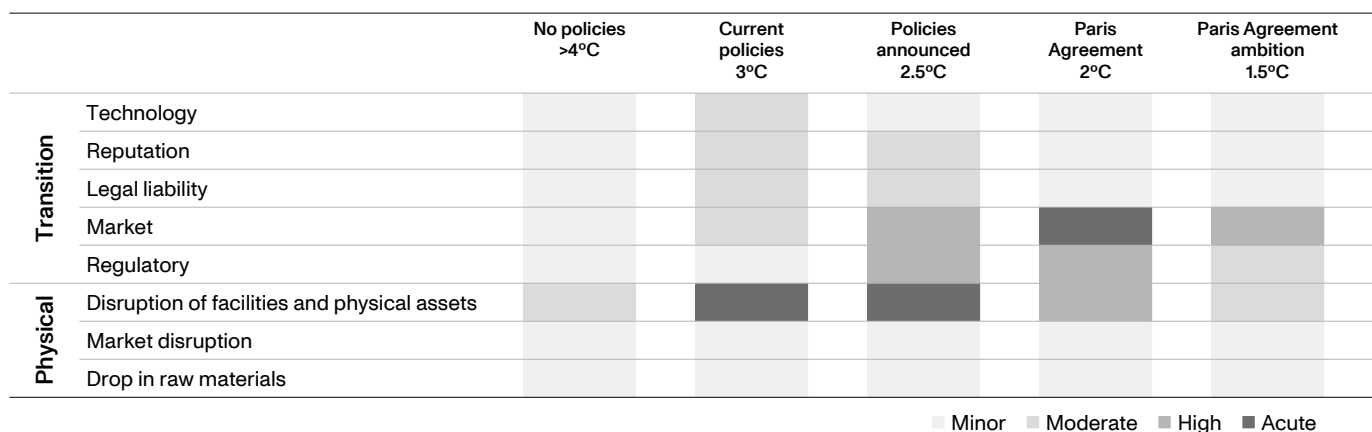
### Climate risks over the short, medium, and long term

To estimate the short-, medium- and long-term climate-related risks, we calculated each of them as per the five emissions pathways for our Company.

In doing so, we seek to understand how our business model would behave under the climate conditions of each pathway. In this way we can understand what impact comes from climate evolution<sup>27</sup>.

Medium- and long-term risks are estimated by translating the five-year cash flow estimates from the short term to the two corresponding future horizons.

#### Short-term climate risk assessment (0-5 years)



Over the next five years, the financial impacts of physical risk are relatively limited and slightly lower than those reported in the previous year, mainly due to a decrease in the impacts caused by our key facilities to extreme weather events. This decrease is due mainly to changes in climate models and the improvement in the estimation of exposure in our value chain key facilities.

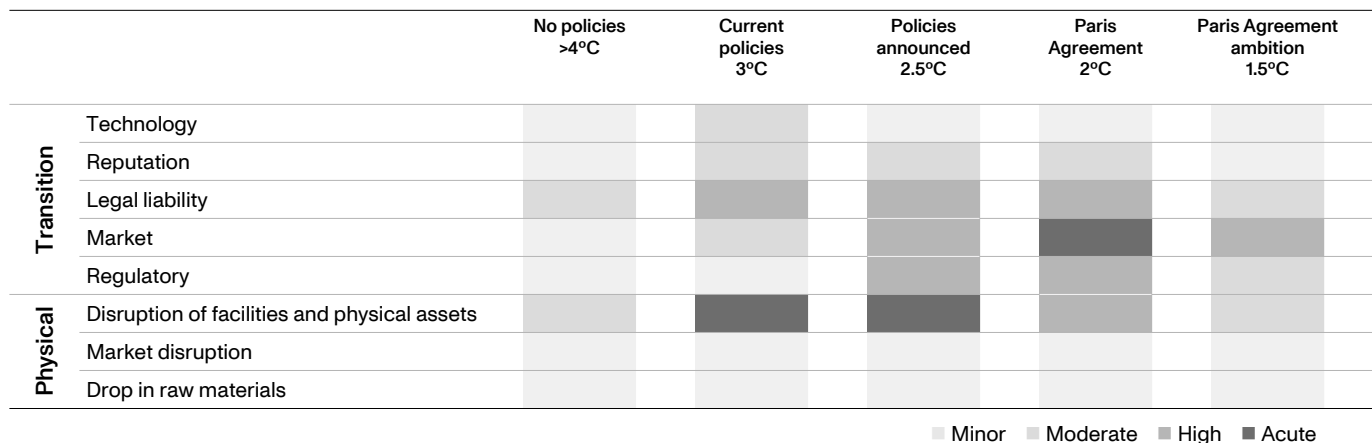
The most impactful weather events for the Group are heatwaves, river flooding and drought or water stress.

In the short term, around 70 % of physical risk, in its different manifestations, comes from our own operations. The remaining 30 % corresponds to third-party transactions.

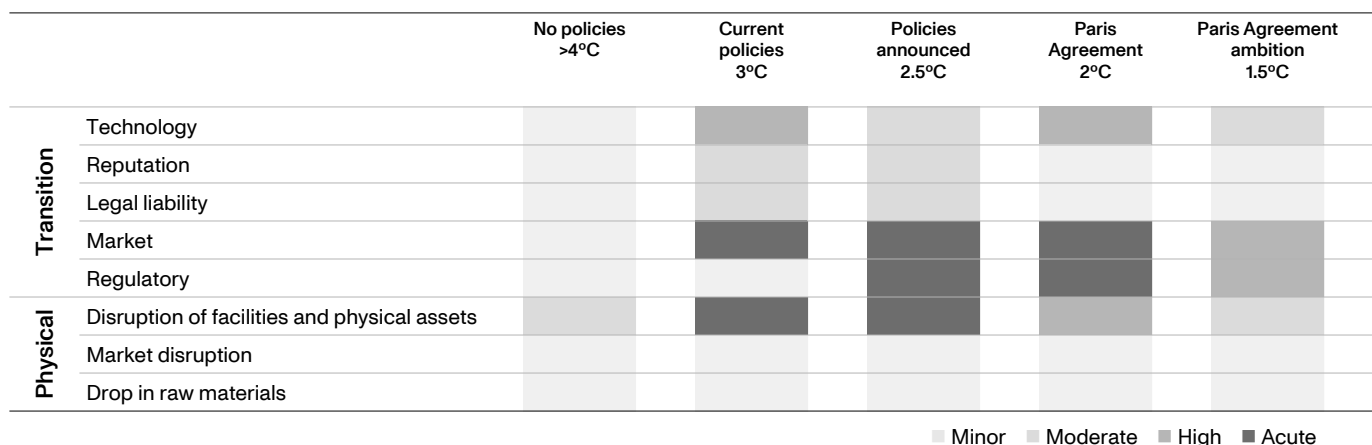
The frequency and severity of physical risks as a result of the step-up from CMIP5 to CMIP6 has increased. Even so, the probability that acute events could cause significant losses ('catastrophic physical tail risks') remains low at present.

<sup>27</sup> The impacts reflected by each climate risk typology, emissions trajectory and horizon are adjusted for the probability of occurrence of each of the emissions trajectories.

**Medium-term climate risk assessment (5-10 years)**



**Long-term climate risk assessment (+10 years)**



**Opportunities arising from climate change<sup>28</sup>**

At Inditex, we want to progress towards a better impact. In this process it is essential to reduce our exposure to climate change-related risk and, at the same time, to identify the opportunities offered to us by a low-carbon economy to ensure our Company's resilience and capacity to be a part of the transformation of our industry.

<sup>28</sup> For more information, see our responses to the CDP Climate Change questionnaires, available at [www.cdp.net](http://www.cdp.net).



### Opportunities for Inditex in a low-carbon economy

Opportunity	Description of the opportunity
<b>Integrated business model</b>	<p>We continually update all our formats to introduce cutting-edge technology in our integrated platform of physical and online stores, creating an efficient, sustainable and integrated economic model. We create opportunities for improvement to strengthen our entire ecosystem while minimising resource consumption.</p> <p>📄 More information in section <a href="#">5.2.1. Business model and strategy</a> of this Report.</p>
<b>Continuous strategic transformation</b>	<p>Our integrated business model gives us a consolidated overview of our customers and their needs at all times. Our strategy capitalises on this advantage to evolve our model towards economic, sustainable and integrating improvements. We start by aiming to maintain the level of commercial success achieved, driven by the opportunities afforded to us by digitalisation processes and our sustainability commitments.</p> <p>📄 More information in section <a href="#">5.2.1. Business model and strategy</a> of this Report.</p>
<b>Innovation</b>	<p>The complexity of the global challenges we face and the path towards a more sustainable model require the increasing introduction of innovation, science and technology in our initiatives. For example, through our platform Sustainability Innovation Hub, we work to provide the industry with new materials, manufacturing processes and initiatives to improve circularity, use or end of life.</p> <p>📄 More information in section <a href="#">6.4.1. Initiatives to progress towards a circular model</a> of this Report.</p>



## Opportunities for Inditex in a low-carbon economy

Opportunity	Description of the opportunity
<b>Customer orientation</b>	<p>We use a process of continuous interaction with our customers as the main tool for identifying the latest trends and developing products that meet their demands, whether in clothing, footwear, accessories or household products. We maintain high standards through a combination of design, quality and sustainability at affordable prices. This constant connection has allowed us not only to adapt to new needs, but also to gradually add new services, technologies and channels.</p> <p>① More information in section <a href="#">7.4. Our customers</a> of this Report.</p>
<b>Transformation of the sector</b>	<p>We have established a unique business model distinguished by its flexibility and efficiency, constant innovation, the creativity of our staff and our focus on sustainability integrated in every process involved. On that basis, we resolutely and collaboratively strive to promote the transformation of the sector, generating a positive impact on society, the industry and our environment.</p> <p>① More information in section <a href="#">5.2.1. Business model and strategy</a> of this Report.</p>
<b>New business models</b>	<p>In keeping with our commitment to using resources more efficiently, we are developing innovative solutions that allow our customers to request repairs, or sell or donate Zara garments they have at home through our Zara Pre-Owned platform, already available in certain markets.</p> <p>① More information in section <a href="#">6.4. The transition to a circular economy: resources, products and waste</a> of this Report.</p>
<b>Collaboration</b>	<p>To address the paradigm shift that is crucial to tackle the challenges linked to the fight against climate change, circularity or the sustainable development of communities, it is imperative that we join forces with all the actors involved. In this connection, we take an open approach in which collaboration is a key pillar for transformation. Examples of this are our partnership with entities such as the United Nations Global Compact, The Fashion Pact, Ellen MacArthur Foundation or Zero Discharge of Hazardous Chemicals, among others.</p> <p>① More information in section <a href="#">5.3.1. Stakeholder engagement</a> of this Report.</p>
<b>Efficient consumption of natural resources</b>	<p>In our commitment to sustainable development, at Inditex we strongly advocate circularity, an economic, management and production approach aimed at balancing growth with conserving natural resources and progressing in the decarbonisation of the entire value chain. For us, circularity is a differential model of production and consumption encompassing all stages from a product's design to its end of life. This approach fosters the reuse and recycling of articles, extending their life cycle and minimising the use of natural resources, energy consumption and waste generation.</p> <p>① More information in section <a href="#">6.4. The transition to a circular economy: resources, products and waste</a> of this Report.</p>
<b>Energy efficiency</b>	<p>Energy efficiency is a priority in both our designs and our day-to-day operations. In this regard we are constantly reviewing our standards to reflect cutting-edge practices and implementing new programmes to advance on the path of continuous and sustainable improvement in our operations. We work closely with our suppliers and other organisations to promote the rational and efficient use of energy throughout the value chain.</p> <p>① More information in section <a href="#">6.1. Climate change</a> of this Report.</p>

### Opportunities for Inditex in a low-carbon economy

Opportunity	Description of the opportunity
<b>Generation of renewable energies</b>	<p>The generation and acquisition of energy from renewable sources plays a central role in our energy strategy. For this purpose, we invest in generating renewable energy at our own operating facilities. We have solar thermal, solar photovoltaic or wind energy, as well as infrastructure to harness geothermal energy. This diversification reduces our dependence on third parties in these aspects, and also introduces innovative concepts, such as additionality in the implementation of new power generation infrastructure in the grid.</p> <p>① More information in section <a href="#">6.1.4. Lower-impact consumption and efficiency and optimisation initiatives</a> of this Report.</p>
<b>Sustainable building</b>	<p>We make the investments needed in all our headquarters, platforms and stores to oversee, reduce and mitigate the impact of the consumption of resources. When building our headquarters, we follow bioclimatic criteria, encouraging the installation of photovoltaic panels, the collection of rainwater for non-drinking uses and the implementation of self-regulating lighting systems in accordance with outside light conditions, as specific examples of our sustainable practices.</p> <p>① More information in section <a href="#">6.1. Climate change</a> of this Report.</p>

#### 6.1.5.3. Climate risk management

At Inditex we manage our risks through our Risk Management and Control Policy, approved in 2020. This policy establishes our Integrated Risk Management System, which helps us to manage and control the risks that impact our Company, including those linked to climate change.

Although the management of climate risks follows general risk management principles, their specific characteristics are taken into account when it comes to assessing and quantifying them. Accordingly, we approach climate risks effectively, acknowledging their importance in the current context.

① More information in sections [5.1.3.1. Risk management framework](#) and [5.1.3.2. Risk map](#) of this Report.



#### 6.1.5.4. Metrics and targets

##### Targets

At the 2023 Annual General Meeting of Inditex, we presented the latest update of our sustainability commitments which includes new and stringent pledges with a view to achieving net zero emissions by 2040.

In keeping with these targets, in 2023 we also submitted to the Science-Based Target Initiative (SBTi) the latest update of our 2030 climate commitments and our 2040 net zero emissions target for their validation. We have also devised our new Climate Transition Plan, which details our decarbonisation strategy, the resources we estimate will be needed and the collaborative initiatives we will launch to advance our commitment to addressing climate change.

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📄 More information in section [6.1. Climate change](#) of this Report

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##### Decarbonisation mechanisms

As well as setting decarbonisation targets, we promote mechanisms to advance in their achievement, such as our variable remuneration system.

This system links our teams' remuneration to the attainment of the Company's objectives, including our sustainability commitments. For example, both our CEO and senior management have specific incentives associated with emission reductions.

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📄 More information in section [5.1.1. Good Corporate Governance](#) of this Report.



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**Metrics**

## Assessment of climate change risks

### Physical risks

 Heatwave	 Freeze	 Water stress	<p><b>Physical asset damage</b></p> <p>Cost to repair and replace property, equipment and inventory damaged by extreme weather events.</p>	<p><b>Key facility operations</b></p> <p>Disruption to output of production and activities from extreme weather phenomena.</p>
 River flooding and coastal flooding	 Tropical storm	 Temperate storm	<p><b>Raw material supply</b></p> <p>Agricultural products and water supply are affected by extreme weather phenomena and chronic climate changes.</p>	<p><b>Disruption of earnings</b></p> <p>Extreme weather events affect consumers' buying habits.</p>

### Transition risks

**Regulatory dimension**

/ **Carbon pricing:** carbon pricing policies vary in each of the jurisdictions so as to incentivise decarbonisation. Organisations pay a price for emissions throughout their value chain.

/ **Carbon markets:** the development of emissions markets, still largely voluntary, is experiencing an increase in demand.

**Market dimension**

/ **Consumers preference for sustainability:** consumers tend to prefer alternative products and services that are sustainable. Competitors may emerge who propose innovations that transform demand and threaten to capture market share from the established players.

**Technological dimension**

/ **The pace of adoption of low-carbon technologies,** and the resulting 'green premium', may affect the competitiveness of companies as a consequence of the impact in terms of operating expenses and the value of the assets. Investments must seek a balance between innovation and profitability.

**Legal liability dimension**

/ **Lawsuits from emissions and climate damage:** a generalisation of lawsuits against companies for their liability in emitting greenhouse gases and the damaging economic and environmental consequences thereof.

**Reputational dimension**

/ **Climate activism and stigmatisation by consumers:** a negative change in public opinion towards companies with carbon-intensive activities. Consumer demand is affected by climate activism, which also affects investor confidence and access to capital.

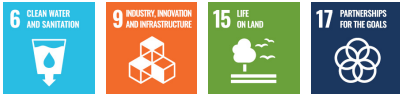
**Summary of climate change risk**

TCFD Framework	Dimensions	Upstream raw materials supply	Supply chain and operations	Final stages value chain	Group financial risks
Physical risks	Acute risks: extreme weather events	Short-term disruptions in the supply of raw materials	Operational interruption and damage to physical assets	Short-term demand disruption	
	Chronic risks: gradual changes in weather patterns	Viability of raw materials supply in certain regions	Threats to the value chain in certain regions as a result of water stress and heat waves	Dependence on demand for certain products in certain regions	
	Regulatory risks: carbon pricing	Increased emissions cost in early stages of the value chain	Increased cost of fossil-fuel-dependent activities	Pass-through of higher costs as a result of demand elasticity	
Transition risks	Technological: innovation in low-carbon technologies	Cost of decarbonisation in early stages of the value chain	Devaluation of carbon-intensive physical assets	Disruptive competition that erodes market share	
	Market: consumers' preference for sustainability			Consumer preferences shifting towards sustainable alternatives	
	Reputation: climate activism and stigmatisation			Consumers' perception of the Group and its brands	Investment market's perception of the Group's sustainability strategy
	Market: investor sentiment				Market shock resulting from divestment in carbon-intensive sectors
	Liability: climate litigation				Lawsuits linked to the contribution to climate change



# 6.2 Water management

Material topic: Pollution; Water management



## 6.2.1. Ambition and goals concerning water

GRI 3-3; 303-1; 303-2; 303-3; 303-4

At Inditex we are aware of the critical importance of water for life and ecosystems and the challenges posed in terms of availability and quality. To address those challenges, we conduct out initiatives on our own and in partnership with our stakeholders to reduce our environmental impact and preserve marine and freshwater ecosystems.

Our approach to water management takes into account water all the dimensions related to our direct and indirect activities. That is why, in 2023, we signed a commitment with CEO Water Mandate to preserve fresh water through collective action in 100 water-stressed river basins around the world by 2030.



Furthermore, we prioritise reducing water consumption in our operations and supply chain. Consequently, we have set ourselves the goal of reducing water consumption in our supply chain by 25% in 2025, as compared with 2020. This will help preserve water as a natural resource and lower our greenhouse gas (GHG) emissions by reducing energy use in related processes.

We are currently working to update our Global Water Management Strategy, aimed at ensuring sustainable and efficient water usage across our value chain while promoting activities linked to the protection and restoration of river basins and other aquatic ecosystems.

Within the framework of this strategy, we have different lines of action focused on the analysis of impacts and their mitigation, including:

- / The efficient and responsible use of water through the implementation of the best available technologies, reuse and recycling of water.
- / Improving the quality of the discharge and its responsible management such as the use of safe and sustainable chemical products.
- / The implementation of a fibre plan that involves the use of organic and regenerative practices with the use of raw materials with a lower impact on water.
- / The protection of aquatic ecosystems and the restoration of deteriorated water basins.

Another relevant initiative is the work around the Green to Wear standard to expand knowledge about the water context in our supply chain. Parameters such as water stress, the source and distribution of the water used and water reuse and recycling help us to propose a strategy contextualised to suit the local situation of water resources at each facility.

## 6.2.2. Water management initiatives in own operations

GRI 3-3; 303-1; 303-2; 303-3; 303-4; 303-5

At our facilities, water is mainly consumed for cleaning and sanitary purposes. In addition, our industrial plants use water, mainly for steam generation and cooling by means of closed-loop systems. We can therefore estimate that the amount of water consumed is directly equivalent to the amount discharged. Furthermore, wastewater in all our facilities is channelled to the appropriate wastewater systems. On that basis, our water usage and management does not have an impact on protected habitats.

In 2023, water consumption in own facilities—corporate headquarters, factories, logistic centres and stores—amounted to 1,767,463 cubic metres, i.e. 1% less than in 2022. The water consumption at our centres is calculated through direct meter readings and bill charges from public water utilities companies<sup>29</sup>.

### Water consumption

Year	Water consumption (m <sup>3</sup> )	Relative water consumption (litres/m <sup>2</sup> )	Relative water consumption (ml/€)
2023	1,767,463	234	50
2022	1,780,190	240	55

Moreover, we have initiatives in place such as the use of storm tanks at our centres in Cerdanyola, Arteixo and Lelystad. In 2023 these tanks collected 35,356<sup>30</sup> m<sup>3</sup> of water, i.e. 41% more than in 2022; this water was used for irrigation and sanitation.

## 6.2.3. Water management initiatives throughout the supply chain

GRI 2-28; 3-3; 303-1; 303-2; 303-3; 303-4

Our supply chain encompasses one of the most water-intensive areas of our value chain, namely wet processes (dyeing, washing, finishing and printing, among others). Mindful of the importance of these processes in water management, in 2023 we implemented initiatives aimed at reducing water consumption and improving discharge quality, including:

- / Proposal for updates to our Green to Wear standard that allows it to be adapted to the new production processes, as well as to foster, to the extent possible, even greater savings in water usage.

<sup>29</sup> Water consumption at corporate headquarters and logistics centres was calculated using primary data. As for consumption by own stores, it was estimated based on the net expenditure per store. We have used the specific average price of 20 markets, and for all other markets, we have used the average of m<sup>3</sup>/m<sup>2</sup> per concept.

<sup>30</sup> The volume of water collected in storm tanks was calculated using flow meter measurements

<sup>31</sup> Supply chain water consumption is calculated for all production facilities in our supply chain that perform a wet process. The calculation methodology includes real consumption data collected in factories, for example, through environmental audits. For cases in which the information is not available, it has been estimated from the averages of the environmental audits.

- / Devising improvement plans in conjunction with wet process facilities to optimise water usage and improve the quality of wastewater discharges.

- / Publishing best practices in water management and in the improvement of discharge quality.

- / Creating a network of partner facilities to implement measures and technologies derived from the innovation developed by the Group in collaboration with companies from various sectors and with the purpose of saving water and improving discharge quality.

By implementing these initiatives, we have been able to cut water consumption by 20% in our supply chain<sup>31</sup>, compared to 2020. We are committed to achieving a 25% reduction by 2025.

Year	Relative water consumption (litres/kg garment) <sup>(1)</sup>
2023	77
2022	79
2020 (base year)	96

(1) Consumption for 2022 and 2020 has been recalculated based on the improvements made to the corporate systems that provide greater detail of the production processes.

### Environmental improvement plans

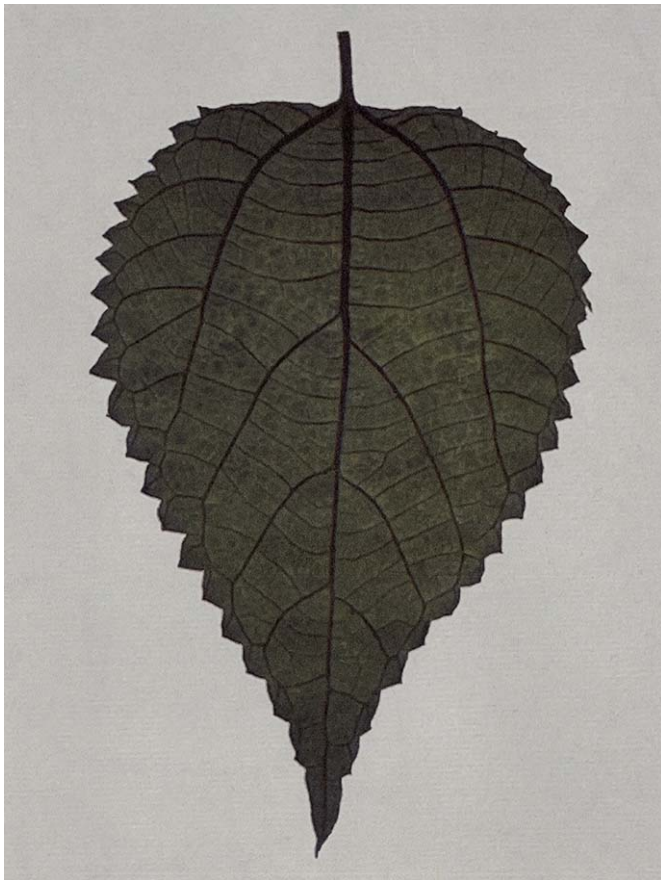
A fundamental pillar of our Supply Chain Transformation Plan rests on environmental improvement plans. These plans serve the facilities of our suppliers and manufacturers to advance in minimizing impacts and transforming the sector.

In relation to water, the participating facilities must fundamentally achieve the following objectives:

- / Reduction of water consumption until reaching the 'excellent' level, in accordance with our internal standards.
- / Alignment of the wastewater discharge quality with the 'foundational' level of the discharge standard developed by Zero Discharge of Hazardous Chemicals (ZDHC).
- / Use of ZDHC level 3 certified chemicals.

The facilities propose an action plan to achieve these objectives that includes concrete measures, implementation dates and a quantification of the reduction of impacts. A network of internal and external specialists analyses the viability of the plan and the scope of each of the proposed actions. Once validated, the facilities have, at all times, technical support and monitoring of these plans by this network of specialists.

The environmental improvement plans integrate the Care for Water plans. Throughout 2023 we have collaborated with 118 facilities to improve their water consumption through this programme.



## New requirements for water management in our supply chain

We have included new requirements related to water management in our environmental preliminary assessment (EPA), which is carried out at the facilities in our supply chain subject to the Green to Wear standard, once they have passed the pre-assessment. Consequently, facilities that do not have the means to control their overall water consumption and the individual consumption of their machinery are barred from our production. Likewise, neither are facilities which do not implement measures to prevent water loss or reuse water accepted in our production chain.

## Knowledge transfer platform

The platform provides information for wet process facilities to improve their water consumption and the quality of wastewater discharges. The measures to improve water consumption include optimising the production process, using certain chemical products or the possibilities of reusing and recycling water, always tailored to the production process at each facility.

In addition, among other things, facilities can access information on the investment needed, the estimated impact on water consumption and even potential constraints in the implementation of the measures. The platform also provides information on the benefits of the proposed new technologies over conventional ones.

This tool was developed through a collaborative approach open to the entire textile industry, which is why we have made the platform publicly accessible via our corporate website to anyone interested.

In 2023, we added more than 30 new measures for the production of both textile and leather articles, ranging from innovative technologies and chemicals to easy-to-implement, zero-cost measures that boost efficiency at facilities. Likewise, many other measures already included in previous years have been reviewed and updated.



### Network of collaborating facilities in the implementation of own R&D

At Inditex, we work with several facilities to roll out various innovative measures and technologies aimed at improving efficiency in water consumption and/or to enhance discharge quality.

Along with improving water consumption, this innovation and development network aims to prove that new measures and technologies work on an industrial scale. At the same time, information is provided to compile case studies to demonstrate the improvements achieved, paving the way for their rollout at other facilities.

With this goal in mind, in 2023 we conducted pilot projects at various facilities in Portugal and Türkiye. Although focused on reducing water consumption, these initiatives also delivered improvements in energy consumption, productivity and lowered production costs.

A case study was carried out in Türkiye in which two measures published on our knowledge transfer Platform were implemented:

- / 'Cold washing after the dyeing process with reactive dyes', which reduces the water needed to rinse after dyeing.
- / 'One-step exhaust dyeing', which involves simultaneously pre-treating and dyeing the fabric.

The results obtained from the joint implementation of both measures in the various tests carried out showed very significant savings:

- / Water consumption reduction: up to 41%.
- / Steam generation reduction: up to 60%.
- / Electricity consumption reduction: up to 30%.
- / Reduction of process duration: up to 32%.



### R&D+i for the prevention of microfibre shedding

In 2023 we worked to develop a number of measures to prevent both synthetic and natural microfibre shedding in the two areas of the value chain where this shedding and subsequent release into wastewater is especially relevant: wet processing and domestic laundry.

This year, we presented the Air Fiber Washer, developed in partnership with the Spanish company Jeanologia, which aims to help prevent the release of microfibres in domestic washing. Using an innovative, air-based technology, this new development makes it possible to remove, prior to selling textile articles, a large part of the microfibres that would otherwise be released later in domestic washing. Furthermore, this is achieved without increasing water and energy consumption or compromising the quality of the treated fabrics.

Also in 2023 we launched The Laundry by Inditex on an industrial scale. This household detergent is designed to reduce microfibre shedding in domestic washing. This solution, jointly developed by Inditex and BASF Home Care and I&I Solutions, can reduce microfibre shedding by up to 80%, depending on the type of fabric and washing conditions.

In addition, we work with other industries to develop new technologies or production systems with a lower impact on water resources. A good example is the joint development of *PIGMENTURA* by CHT, an innovative dyeing solution that not only slashes water consumption by up to 96%, but also prevents microfibre shedding. This novel development, which is the result of our research partnership with CHT that commenced in 2020 and that we launched on an industrial scale this year, is based on a pigment dye that does not require washing and drying processes, thereby reducing the energy needed to heat the water used in conventional production processes. This can save up to 60% of energy compared to other, continuous dyeing technologies.

### 6.2.3.1. Collaborations with external initiatives

In order to optimize environmental management in our supply chain, we collaborate with the Institute of Public & Environmental Affairs (IPE) of China, which disseminates environmental information, provided by both Government and factories and brands.

In addition to the environmental performance of the textile factories, the IPE monitors suppliers of raw materials and chemicals, as well as the wastewater treatment plants and the results of wastewater analyses. In 2023 the IPE recognised our Company's efforts to improve environmental performance in our supply chain, ranking it third both globally and in the textile sector in the index it publishes annually.

Furthermore, we have adopted the Manufacturing Restricted Substances List (MRSL) by the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation. This regulates the quality of discharges, facilitating compliance with requirements for both chemical suppliers and the facilities that use them. We also integrated our The List, by Inditex programme in ZDHC's chemical product control strategy, providing key information to determine whether a particular chemical is compliant with MRSL discharge parameters as well as applicable legal requirements.

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① More information in the document *Innovation, collaboration and continuous improvement for chemical safety* available on Inditex's corporate website.

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With the desire to advance in the evaluation of impacts and the setting of objectives around the protection of water and nature, we have carried out a pilot with the new reference framework of the Science Based Targets Network (SBTN).

Throughout 2023 we have worked with World Wildlife Fund (WWF) to update our Water Management Strategy, as well as to seek collaborative actions with other companies and organizations.

In 2023 we joined the Alliance for Water Stewardship (AWS), an organisation at the forefront of water governance, with the aim of exchanging knowledge and experience with other leading companies in water management in different sectors, as well as taking joint action with some of them in those river basins shared by our activities.



## 6.3. Biodiversity and ecosystems

Material topic: Biodiversity and ecosystems



### 6.3.1. Our Biodiversity Strategy

GRI 2-23; 3-3; 304-2

At our Company we understand how important it is to preserve ecosystems to sustain society and life. That is why we are committed to protecting natural ecosystems in all areas of our value chain, but also wherever it is important for the welfare of communities and for biodiversity itself.

In 2013 we published our Biodiversity Strategy based on the principles of the United Nations Convention on Biological Diversity, aimed at protecting and preserving biodiversity in all areas of our value chain. This strategy is complemented by the Global Energy Strategy and the Global Water Management Strategy, aimed at reducing energy and water usage and cutting harmful discharges and greenhouse gas emissions and, with them, their adverse effects on biodiversity.

We currently have reference new frameworks in place to guide and strengthen our work on biodiversity and ecosystems, such as the Science Based Targets Network (SBTN) and the Taskforce for Nature-related Financial Disclosure (TNFD).

In this regard, we follow the AR3T (Avoid, Reduce, Restore & Regenerate, and Transform) framework, proposed by the SBTN, a comprehensive framework encompassing actions across five dimensions:

- / Avoid
- / Reduce
- / Restore
- / Regenerate
- / Transform

#### Inditex's commitment to biodiversity

As part of our new sustainability commitments, we aim to protect, restore, regenerate, or promote other management approaches to improve biodiversity in an area of five million hectares.

To achieve this, we work with different organisations such as Conservation International whose Regenerative Fund for Nature fosters regenerative farming and practices. Another such organisation is the World Wildlife Fund (WWF), which we support in restoring endangered ecosystems in Europe, Asia, Africa and Latin America.

In 2021, we launched the #bringyourownbag (#traetubolsa) initiative and began charging for recycled paper bags and envelopes in our stores, with the aim of raising awareness among our customers about the importance of using reusable alternatives, and thus reducing waste generation and minimizing consumption of raw materials, water and energy.

This initiative, currently present in 77 markets (59 markets in 2022), has made it possible to reduce the number of bags and envelopes delivered to our stores by 47%. Likewise, the collection obtained for environmental projects since 2021 has been 79 million euros, of which we have allocated, at the end of the year, 54 million euros<sup>(1)</sup> to projects in 21 countries.

(1) Due to the lag between the collection of funds and the formulation of the initiatives, currently the amount collected is higher than the contribution allocated to projects.



#### 6.3.1.1. Avoid: thus preventing damage in the first place

The most important measure in fostering biodiversity is to first prevent potential negative impacts on nature, especially in the most sensitive areas.

With this aim in mind, we implement actions designed to avoid negative impacts on ecosystems of high biodiversity value, such as primary forests or the habitats of endangered species. To avoid these impacts we use two fundamental tools:

**/ Forest Product Policy.** Forests play a pivotal role as a haven for biodiversity while also contributing to the water cycle, acting as greenhouse gas sinks and, sometimes, they are natural and heritage areas of huge importance to the local communities. That is why we ensure that all forest material that we use—such as wood or pulp—comes from responsible farming and not from primary and endangered forests.

This Policy specifies that our paper or wood products and the wooden furniture in our stores must be certified by the Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC).

Moreover, we only work with suppliers of fibres derived from cellulose pulp that are not sourced from primary and endangered forests, classified as 'green shirts' in the Hot Button Report by Canopy, an organisation we have been working with since 2014 to better protect primary and endangered forests.

We are currently revising this Policy to expand its scope to other materials potentially linked to deforestation risk, such as leather.

**/ Animal Welfare Policy.** At Inditex we want to avoid having a negative impact on animals and their natural habitat. That is why those of our products that contain material of animal origin must come from animals bred on farms for the purpose of obtaining meat and, under no circumstances, from animals that are killed to market their skins, shells, horns, bones, feathers or down. Furthermore, these animals must be treated ethically and responsibly, in accordance with the internationally accepted "Five Freedoms" of animal welfare (free from thirst, hunger and malnutrition; free from fear and distress; free from discomfort and exposure; free from pain, injury and disease; free to express normal behaviour).

### 6.3.1.2. Reduce: how we minimise our impact on biodiversity

After avoiding negative impacts, our next focus is to reduce those impacts that might arise as a result of our activity. To achieve this goal, we prioritise materials and production processes that reduce potential negative impacts on biodiversity, through:

**/ Progress towards decarbonisation:** we work to help reduce the adverse effects of climate change on ecosystems and biodiversity, acknowledging their interdependence.

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① More information in section [6.1. Climate change](#) of this Report.

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**/ Reducing water usage:** we undertake to reduce the water consumption in our supply chain by 25% in 2025. We also strive to minimise the impact of wastewater through our commitment to the Zero Discharge of Hazardous Chemicals (ZDHC) initiative. We also work to improve water quality and reduce the load of microfibres that can be released into water through industrial and domestic washing processes, contributing to innovation in this regard.

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① More information in section [6.2. Water management](#) of this Report.

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**/ Implementation of initiatives to progress towards a circular economy model:** we prioritise innovation in recycled materials, production processes and use and end of life, with the aim of reducing impacts throughout our products' life cycle. These initiatives allow us to reduce land use, preventing the conversion of ecosystems, and the use of natural resources, minimising the environmental impact associated with the supply and end of life of garments. In this regard, our goal is that by 2030, 40% of our textile products and raw materials should be sourced from conventional recycling, and another 25% from new-generation fibres.

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① More information in section [6.4. Transition to a circular economy: resources, products and waste](#) of this Report.

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**/ Use of organic raw materials or those in transition:** we use raw materials that exclude pesticides and chemical fertilisers that degrade fertile soil, pollute water and hamper biodiversity and communities. We estimate that 25% of the raw materials we use will come from organic or regenerative farming by 2030.

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① More information in section [6.4.2. Design and selection of raw materials](#) of this Report.

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### 6.3.1.3. Restore: we support the conservation and restoration of ecosystems

In keeping with our 2030 commitment of attaining five million hectares protected, restored, regenerated or under other forms of management for biodiversity improvement, we aim to restore degraded natural areas to a state as close as possible to their original state.

To achieve this, in 2023 we were involved in various projects of this kind:

**/ Restoration and conservation of ecosystems:** we contribute to projects to restore and conserve ecosystems worldwide in partnership with WWF. Accordingly, we support the restoration of forests like the Datça-Bozburun, in Türkiye, the holm oak forest in the Cratere degli Astroni nature reserve in Italy, or the Dadia-Lefkimi-Soufli Forest National Park in Greece. We also contribute to the recovering of river basins and freshwater ecosystems in North Africa—in the Sebu basin in Morocco and the Guerbes-Sanhadja plains in Tunisia and Algeria—as well as the Mekong Delta in Vietnam.

In Spain, we have joined the new public-private fund to mitigate the risk of forest fires, set up by the Galicia Regional Government in 2023. This project is focused on restoring areas affected by forest fires and the deployment of fire prevention work.

**/ Restoration and protection of habitats of endangered fauna:** we are working with WWF on actions to restore and protect the habitats of endangered fauna, such as the Gran Chaco tropical forest and Pantanal wetlands in South America, as well as various natural areas in Mexico to conserve endangered native species such as the Monarch butterfly and the jaguar. In China, we support projects in the Taihang-Yan mountains and the Amur-Heilong region to protect the habitats of the leopard and the Amur tiger, respectively.

**/ Promoting sustainable forestry:** our goal is to improve forestry management through sustainable forestry models. We launched this initiative in 2018 with the Pico Sacro demonstration forest project in Spain. Since then we have expanded this line of action to include other demonstration forests in various locations. In Galicia, in collaboration with the Galician Forestry Association; in Portugal, with the Portuguese Forestry Association, Forestis; and in Castilla-La Mancha with WWF.

#### 6.3.1.4. Regenerate: revitalising ecosystems to protect biodiversity

At Inditex we know how important it is to nurture productive areas in which biodiversity and communities can thrive.

To that end, we promote regenerative agricultural and land management practices aimed at fostering a balance between productive land use and healthy ecosystems. These initiatives promote the preservation of nutrients in the soil and enhance its capacity to absorb carbon, positively addressing climate change, as well as improving water management and quality and the conservation of local biodiversity.

In 2023 we contributed to these regenerative practices on various fronts:

**/ Investment in innovative agricultural projects:** we work with the Regenerative Fund for Nature in collaboration with Conservation International and the Kering Group, investing in innovative projects in connection with our raw materials, aimed at transforming the fashion industry's relationship with nature. To achieve this, the fund invests in agricultural communities, project leaders and NGOs so as to implement regenerative approaches that not only preserve the viability of the land but also benefit farmers, enhance animal welfare and the health of ecosystems, and foster climate change mitigation and resilience.

Specifically, in 2023 we supported two projects that foster regenerative practices in India and Pakistan through the Organic Cotton Accelerator (OCA). We also supported a project focusing on cattle in conjunction with Fundación Solidaridad in the Gran Chaco forest region of Argentina.

Also in this sphere, we continue to take action in India, supporting the transition to regenerative practices and nature restoration in an area spanning 300,000 hectares in the Indian states of Madhya Pradesh and Odisha, in partnership with Action Social Advancement (ASA), together with Laudes Foundation, IDH - The Sustainable Trade Initiative and WWF India.

#### 6.3.1.5. Transform: key to protecting biodiversity in the long term

The transformation of our way of working as a society and industry is essential to preserve ecosystems and biodiversity. This is why we support initiatives aimed at driving this transformation, in particular through coordinated and collective action between key agents.

Among them, we highlight the following initiatives:

**/ Business for Nature:** in 2023 we joined more than 80 companies calling on European leaders to be highly ambitious regarding the new European Nature Restoration Law. Specifically, this platform is calling for more regulation and greater efforts to protect and restore nature, and to foster the sustainable use of resources, with clear roadmaps and support for communities.

**/ Arctic Corporate Shipping Pledge:** promoted by the Ocean Conservancy, encourages major logistics operators and global brands to undertake to avoid shipping routes through the Arctic, as well as to find ways to reduce the emissions from global shipping.

**/ LEAF Coalition:** coordinated by Emergent, aims to encourage countries to promote measures geared to curbing deforestation in tropical and subtropical countries. The idea is to halt the loss of biodiversity and avoid the greenhouse gas emissions deriving from deforestation.

**/ The Deforestation-Free Call to Action for Leather:** In 2023 we joined this collective action initiative in the sector, led by Textile Exchange and the Leather Working Group (LWG). This initiative urges brands to commit to obtaining their bovine leather from deforestation-free supply chains by 2030 at the latest, investing to foster best practices in this regard.

**/ The Fashion Pact:** this sector-specific initiative is aimed at improving the fashion industry's impact on nature by protecting biodiversity, taking climate action and preventing microplastic ocean pollution.

# 6.4 The transition to a circular economy: resources, products and waste

Material topic: Pollution; Circular economy and efficient use of resources; Health, safety and well-being



## 6.4.1. Initiatives to progress towards a circular model

GRI 2-28; 3-3; 301-2; 306-1; 306-2

Our sustainability strategy covers our aim to progress towards a circular economy model that transforms waste into resources. Not only is circularity a transformative aspect in our Company and industry, but it represents an opportunity to improve our long-term resilience and efficiency. That is why we endeavour to integrate it at every level of our organisation, from design and production processes to managing our stores, logistics and offices.

To achieve this, we believe in innovation in materials, production processes and the use and end of life of our products. We base this innovation on collaboration with universities, startups, companies from different sectors and social organisations.

Indeed, implementing these innovative projects and providing the sector with fibres and processes that have a lower impact than traditional ones is one of the drivers of our circularity strategy.

### Sustainability Innovation Hub

In 2023 we continued to work on our Sustainability Innovation Hub (SIH), a centre for innovation whose purpose is to minimise the environmental impact of the raw materials and processes used in the textile industry. To achieve this, we join forces with startups, academic institutions and other industrial and technological organisations in proposals that are assessed based on their impact on social aspects, circularity, biodiversity and animal welfare, as well as being subjected to a life-cycle environmental analysis. This assessment covers 16 impacts in areas such as emissions, water and land use.

Thus, in 2023 and in the field of collaboration with start-ups, this platform expanded considerably, going from 200 to 350 emerging companies working to incorporate new materials, improve production processes and make headway in connection with traceability, packaging and use and end of life. Furthermore, the Hub advanced in

the environmental, technical and commercial analysis of 23 new startups and conducted 30 life cycle analyses.

The SIH also focused on being a catalyst for pilot projects and demonstrations in 2023. As a result, we carried out pilot projects for more than 35 innovations and launched on the market collections with various startups, such as NILIT and CIRC with Zara Woman, Circular Systems with Zara Home and Ambercycle with Zara Athleticz, as the first milestone in our ongoing collaboration with them.

In addition, we have also signed a forward purchase agreement with the American startup Ambercycle for the purchase of its recycled polyester chips made from 100% textile waste, valued at more than 70 million euros. Production at the new commercial plant is scheduled to commence in 2025.

A notable milestone for SIH was an agreement to incorporate the first 2,000 tonnes of Circulose® pulp, a new textile pulp produced from recycled cotton waste using a chemical process invented by the Swedish recycling company Renewcell. This adoption will mark the first step in our plan to phase Circulose® fibre into our portfolio of innovation fibres.

In 2023, we also launched LOOPAMID® x ZARA, a capsule in which we have collaborated with various companies, including BASF chemistry. For this launch, ZARA Studio has developed a single-material jacket made entirely with LOOPAMID®, a polyamide entirely created from textile waste. The fabric, padding, zipper, buttons and even the velcro are made from this innovative material created from textile waste.

## Collaboration to scale production of recycled polyester from textiles

**In 2023, we signed a three-year agreement to purchase cycora®, a recycled polyester made from textiles.**

We have formed a strategic partnership with Ambercycle, an innovative materials startup, to help scale the production of recycled polyester made from textiles. This agreement includes the purchase of a significant portion of the annual production of cycora®—an innovative material made from post-industrial and post-consumer polyester waste—for more than **70 million euros, over a three-year period.**

Thus, the construction of Ambercycle's first commercial-scale textile regeneration factory will be supported, whose molecular regeneration technology will make recycled synthetic materials more widely available and accessible in the textile industry. The first commercial cycora® plant is expected to commence production in 2025, with a view to incorporating this fibre into Inditex's product range in the following three years.

As part of this agreement, Zara Athleticz has launched its first capsule collection in partnership with Ambercycle, which includes technical garments made with up to 50% cycora®. This collection shows the potential of innovative materials to create highly functional products with a lower environmental impact.

At Inditex we want to advance in the use of recycled materials, which avoid the need to extract new raw materials and reduce waste generation. This, in turn, eases pressure on natural resources such as water and fertile land and helps preserve the environment and reduce greenhouse gas (GHG) emissions.

That is why we are committed to using 40% recycled fibres by 2030, as part of our goal to use 100% lower-impact textile raw materials by that date.

This is a challenging goal for our Company and for the textile industry. At present, textile waste collection and sorting technologies and infrastructure are not capable of recovering large volumes of waste and transforming it into resources. An additional challenge is to ensure that recycled fabrics maintain a quality comparable to the original fabrics.

At Inditex we are addressing this problem through our own textile recycling projects and in collaboration with other organisations.

We also collaborate with organisations like the Ellen MacArthur Foundation, Circular Fashion Partnership, Global Fashion Agenda and

Fashion for Good, on initiatives like design for recyclability, the assessment of infrastructure to process waste or new forms of textile recycling.

In this sense, during 2023, we participated in the following initiatives:

**/ ReHubs Europe:** an international non-profit organisation dedicated to promoting textile recycling in collaboration with the European Apparel and Textile Confederation (Euratex). ReHubs Europe emerged after three years of groundwork and the publication of the ReHubs Techno Economic Master Study (TES) on the technical and economic viability of expanding textile waste recycling in Europe (the ReHubs Initiative).

ReHubs Europe comprises member companies and organisations from across the textile value chain, including textile manufacturers, fashion brands, waste managers, recyclers, chemical industry representatives and technology providers, with the aim of promoting the development of projects that generate industrial capacity and expertise on post-consumer textile waste recycling in Europe. Inditex is an active participant in the working groups.

**/ SCRAP:** together with other brands, we co-founded the Association for the Management of Textile Waste with the aim of creating a Collective Extended Producer Responsibility Scheme (SCRAP) for textile and footwear waste in Spain. In 2023, further steps were made in defining aspects relating to SCRAP's governance, collection model and reporting. Inditex takes part in the various working groups set up.





## Partnerships to develop circular solutions

We maintain industrial partnerships with more than 20 companies across diverse sectors to find new disruptive circular solutions. To that end, we are involved in every necessary phase: exploration, research, development, pilot testing and implementation.

Also in this connection, we maintain stable relationships with the leaders of various industries to fast-track and transfer solutions in raw materials, production processes and phases of use. This allows us to steer the systemic transformation our industry needs.

An example of this work is our collaboration with BASF, under the framework of a pioneering research partnership in the industry launched in 2019. One of the first results of this collaboration has been the commercial development of recycled polyamide (CCycled and BMB Ultramid®) from waste tyres—which cannot be reused in its own industry—and agricultural waste, respectively. We have launched collections using this polyamide: Oysho already used CCycled Ultramid® in 2022 and Zara adopted BMB Ultramid® in 2023.

### A model tailored to demand

Our work is centred on designing high quality, affordable and durable fashion garments. We know that, in order to progress towards an efficient circular model, we need to maximise the life of each garment and optimise the use of materials in their manufacture. To achieve this, it is crucial to understand our customers' needs and to take action at every stage of the textile process.

That is why our product teams work to anticipate the purchasing requirements of our customers. This means keeping an adjusted inventory to be able to adapt to demand over time.

So as to guarantee an agile and effective response to this demand, a very significant portion of our garments are manufactured in proximity markets near our headquarters, such as Spain, Portugal, Morocco and Türkiye. We also combine inventory from our physical stores and online platforms, enabling our customers to access all of our products through our store network or online, which maximises the chances of selling every item.

This flexible and innovative business model helps us to meticulously manage garment inventories to avoid surpluses. In 2022<sup>32</sup>, our surpluses represented 0.79% of total articles sold, and the majority of them were donated to charitable organisations such as UNHCR, the Red Cross and Caritas.

We also have for&from stores that operate as charity shops managed by non-profit organisations such as *Fundació El Molí d'en Puigvert*, Galician Confederation of People with Disabilities (COGAMI), *Fundació Privada per la Inclusió Laboral Auria*, Association of People with Mental Disabilities of Alicante (APSA), *Fundación Prodis*, *Fondazione Cometa* and *Associação VilacomVida*. These stores offer stable employment to people with physical, intellectual and mental disabilities, and their profits are reinvested entirely in projects run by these community organisations.

① More information in section [7.3. Communities](#) of this Report.

## 6.4.2. Design and selection of raw materials

GRI 3-3; 301-1; 301-2; 306-1; 417-1; AF18; AF20

Raw material design and selection influences the impact of our products and is therefore key to our commitment to using lower-impact materials. As part of this, in 2023 we unveiled our Fibres Plan—a cornerstone for improving our impact and advancing our sustainability strategy—to shareholders at the Annual General Meeting.

Our consumption of raw materials according to their origin is divided into two categories: fibres and non-fibres. The fibres category comprises three groups: natural<sup>33</sup>, synthetic<sup>34</sup> and man-made<sup>35</sup> fibres.

Raw materials	2023	2022
Fibres	88%	88%
Natural	53%	50%
Synthetic	38%	40%
Man-made	9%	10%
Non-fibres	12%	12%

<sup>32</sup> Surplus figures are shown for 2022 as the 2023 winter campaign is ongoing in stores at the time of writing this report, and therefore the surplus inventory has not yet been fully processed.

<sup>33</sup> Natural fibres are filaments obtained from natural sources that can be threaded to obtain strands, threads or twine.

<sup>34</sup> 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.

<sup>35</sup> 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.

We use the following raw materials in our products<sup>36</sup>:

Raw material	Tonnes	% of total tonnes of raw material
Cotton	277,831	43%
Man-made cellulosic fibres	52,511	8%
Polyester	165,956	26%
Linen	13,141	2%
Other raw materials <sup>37</sup>	136,183	21%
<b>Total</b>	<b>645,623</b>	<b>100%</b>

### Careful selection of fibres

We aim to encourage the design of products that last over time and can be recycled at the end of their useful life. With this in mind, we train our designers and sales teams in sustainability criteria and foster materials with a lower impact on biodiversity, land use, water consumption and the associated greenhouse gas (GHG) emissions.

Accordingly, we have undertaken, by 2030, to only use lower-impact raw materials, which we call preferred<sup>38</sup> materials in line with the definition of industry benchmark organisations like Textile Exchange. In this definition we also include fibres that meet other requirements of excellence established by other relevant organisations such as Canopy and Changing Markets.

This commitment is especially important for our Company, as textile raw materials account for 88 % of the materials we use. The remaining 12 % are non-textile raw materials, such as iron and porcelain.

## Our commitment to lower-impact fibres

**By 2030, 100% of our textile products will only use lower-impact materials.**

/ We estimate that around 25% will be new generation fibres that do not yet exist on an industrial scale and that we are helping to develop.

/ 40% of the textile fibres we use will come from conventional recycling.

/ Another 25% will come from organic or regenerative agriculture.

/ The remaining 10% will include other preferred options in line with the indicators specified by benchmark organisations.

These goals are enshrined in our Fibres Plan, which we announced at the 2023 Annual General Meeting.

In recent years we have worked to promote the use of fibres from preferred sources. As a result of our efforts in this regard, in the last campaign of 2023 the consumption of preferred raw materials was 68% of the total, an increase of 8 percentage points with respect to the previous year.



<sup>36</sup> All purchases from the 2023 summer and winter campaigns are included. The figure includes the raw material used in the final product; it does not include any wastage that may have occurred during the production process. Raw material consumption is calculated based on the garment's weight and percentage composition.

<sup>37</sup> In the summer and winter 2023 campaigns, this category includes 190 raw materials such as wool, leather, glass, wood, paper or certain metals, among others.

<sup>38</sup> Textile Exchange defines a preferred material as "a raw fibre or material that delivers ongoing beneficial outcomes and impacts for climate, nature, and people through a holistic approach to transforming raw fibre and material production systems".

This milestone is founded on the Join Life standard we introduced in 2015 to raise awareness among our customers and staff, and which distinguished products which involved raw materials and processes with a lower environmental impact. Having met our initial aim, and having exceeded our commitment to ensure that 50% of our garments were Join Life by 2022, we no longer distinguish our products with this label.

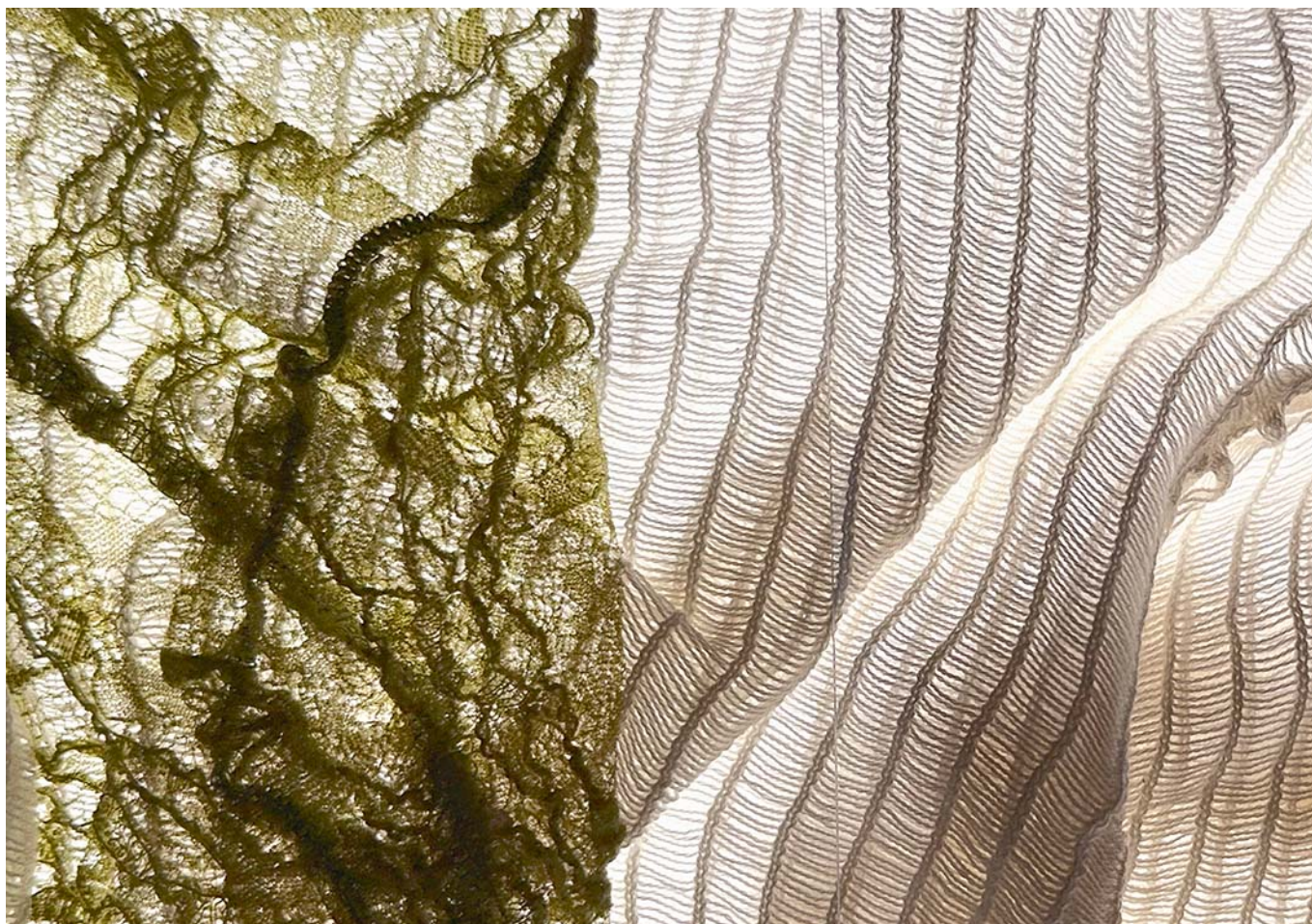
From now on, our strategy is based on our new Fibres Plan, which sets targets by volume of lower-impact fibres used in the products of each of the Group's brands.

Alongside this strategy, Inditex has developed a new classification of fibres and materials, which is constantly being reviewed and updated,

and to which our teams, as well as our suppliers and manufacturers, have continuous access.

We have shared our Fibres Plan on the suppliers' Extranet, including our fibre targets by 2023, 2025 and 2030, and the raw materials currently considered to be lower-impact. We also provide information on international standards certifying the presence of raw materials by type of fibre. This document also presents the suppliers of recycled synthetics and man-made fibres that have so far been identified.

The progress towards the intermediate milestones of our Fibres Plan at year end, in the winter 2023 season, is presented below:



Commitment	Source <sup>(4)</sup>	% of total tonnes of this raw material	Type of fibre	%
100% preferred cotton in 2023	Preferred	96%	Organic cotton (OCS/GOTS)	7.9%
			Cotton in conversion/transition (OCS/GOTS)	1.6%
			BC cotton <sup>(1)</sup> (BC)	75.6%
			Recycled cotton (RCS/GRS)	10.4%
	Conventional	4%	Conventional	4.5%
100% preferred man-made cellulosic fibres by 2023, supporting the Changing Markets Commitment	Preferred	85%	Recycled (RCS/GRS)	0.1%
			Other third-party standards (Canopy, Changing Markets <sup>(2)</sup> or FSC)	85.2%
	Preferred (Canopy only) <sup>(3)</sup>	7%	Other third-party standards (Canopy)	7.2%
	Conventional	8%	Conventional	7.6%
100% preferred polyester in 2025	Preferred	52%	Recycled polyester (RCS/GRS/Repreve)	51.6%
	Conventional	48%	Conventional	48.4%
100% preferred linen in 2025	Preferred	84%	European linen (European Flax certificate)	83.6%
			Recycled linen (RCS/GRS)	0.2%
	Conventional	16%	Conventional	16.2%

(1) BC cotton is not physically traceable to the final product, as it uses a mass balance system. The percentage of use has been estimated on the basis of the information available in Inditex's systems.

(2) Man-made cellulosic fibres that meet the requirements specified in the Changing Markets' Roadmap towards responsible viscose & modal fiber manufacturing.

(3) Cellulosic fibres from suppliers classified as "green shirts" with a score of 25 or above in the Hot Button Report compiled by CanopyStyle, a Canopy Planet initiative.

(4) Preferred raw materials are only considered to be those for which the corresponding certificate has been received within the time and manner established in accordance with our internal procedures.

## Cotton

Cotton is the most widely used raw material at our Company. In keeping with our commitment to preserve natural resources and biodiversity, we have adopted various strategies regarding our cotton consumption.

We use **organic cotton**, i.e. cotton that does not involve the use of synthetic fertilisers and pesticides, or of genetically modified seeds, that is certified by the Organic Content Standard (OCS) and Global Organic Textile Standard (GOTS).

With the aim of promoting organic cotton growing, we are a founding member of the Organic Cotton Accelerator (OCA) initiative, which supports organic cotton farmers from growing to marketing. Likewise, we assist farmers as they transition to organic crops.

In addition, we are members of **Better Cotton (BC)**, an initiative involving actors in the cotton supply chain aimed at training farming communities in best practices for growing cotton.

We are also committed to using **recycled cotton**, which is made from production cutting scraps or post-consumer waste and which undergoes a recycling process to make it into new cotton fibre.

During the last campaign of the year, we have achieved that 96 % of the cotton used meets our objective. The remaining cotton has been classified as conventional since we cannot prove its origin according to our internal procedures.

### Preferred man-made cellulosic fibres

Our goal with the artificial cellulosic fibers used in our products is that they meet the following conditions in line with our Forest Products Policy. Firstly we require our suppliers to use man-made cellulosic fibres (viscose, modal, lyocell and acetate) in our products that are sourced from fibre manufacturers rated as 'green shirts' with a score of 25 or higher in the CanopyStyle initiative's Hot Button report, led by the Canopy Planet organisation. Secondly, we continue our endeavours to ensure that, from this year onwards, cellulosic fibres are sourced from manufacturers who are committed to the *Roadmap towards responsible viscose & modal fibre manufacturing* promoted by the Changing Markets Foundation.

In the last campaign of the year, 85% of the man-made cellulosic fibres used in our products met both requirements.

The difficulties in sourcing preferred man-made cellulosic fibres in certain markets has hampered the execution of orders for preferred fabric in 2023. Consequently, we continue to work with cellulose pulp manufacturers in connection with the commitment to the Changing Markets Roadmap. Nine facilities of large fibre manufacturers have already implemented the best available techniques (BATs) in their production processes, and three other facilities will have them in place at the end of 2024 and early 2025. Fibre obtained without BATs is classified as 'preferred – Canopy only'<sup>39</sup>.

Meanwhile, we have classified as conventional the fibre whose source we have not been able to prove.

### Linen and polyester

We are advancing towards our goal of using only polyester and linen from preferred sources by 2025. In 2023, 52% of the polyester and 84% of the linen we used in our products came from this kind of source.

### Recycled materials

When we updated our sustainability commitments we pledged to source 40% of our textile fibres from conventional recycling by 2030, as one of our targets to help ensure that 100% of our textile products use only lower-impact materials. In this sense, in 2023 our products already contain 18% recycled materials (13% in 2022).

Furthermore, through our Sustainability Innovation Hub (SIH) we research alternative and innovative materials obtained from second- and third-generation waste. These materials are designed to ensure the technical and durability standards required in certain products, thereby contributing to sustainability and reducing the environmental impact in our supply chain.

In 2023 we also worked on producing a guide to threads and yarns that contain mechanically recycled cotton fibre, mainly post-industrial cotton, with information on the possibilities and limitations of using recycled materials. This guide is intended as a support tool for our sales teams and suppliers, helping them to make product design and procurement decisions.

The guide will cover a variety of threads and yarns, classified by yarn type and percentage of recycled content, recommended for different types of products based on the purchases made in our Company's concepts. The information compiled is based on the characteristics of the recycled fibre, including fibre length and short fibre content, as well as on the spinning technology used, differentiating between Open-end spinning and ring spinning.

Although Open-end spinning is now quite common in the process of spinning recycled fibres, ring spinning still requires research to be fully integrated into the recycling loop. This allows us to include recycled content in product families where there is currently a knowledge shortfall.

This publication not only provides guidance for decision making, but it also encourages giving value to textile waste. The mechanical textile recycling process involves the sorting and processing of waste into recycled fibres, which are then used in the production of threads, fabrics and garments, saving raw materials, reducing costs and having a better impact on the environment.



<sup>39</sup> Cellulosic fibres from suppliers classified as 'green shirts' with a score of 25 or above in the Hot Button Report compiled by CanopyStyle, a Canopy Planet initiative.

### 6.4.3. Health and safety of products

GRI 2-28; 3-3; 413-2; 416-1; 416-2; AF19

We strive to ensure that the products we market are safe and healthy. To achieve this, we have specific product standards, that are of general application and mandatory for all the articles we sell<sup>40</sup>. These standards go beyond the requirements of international legislation and cover processes from design to manufacturing.

We currently have eight product standards, each with a different scope:

Product standards	
	Scope
<b>Safe to Wear</b>	Garments, footwear, accessories, including the trimmings and fabrics used for their manufacture
<b>Physical Testing Requirements</b>	Garments, footwear, accessories and home textiles
<b>Clear to Wear</b>	Garments, fabrics, footwear, accessories and home textiles
<b>i+Cosmetics</b>	Cosmetics
<b>i+Food Contact Materials</b>	Products in contact with food
<b>i+Home Fragrance and Candles</b>	Ambiance products for the home Decorative candles and their accessories
<b>i+Child Care Furniture</b>	Children's furniture and child care articles
<b>Active to Wear</b>	Garments and fabrics

In 2023 we launched our Active to Wear standard, a product quality tool that defines the minimum requirements for fabrics or garments labelled with a functional property that enhances their performance under certain conditions of use or activities such as the water repellency.

<sup>40</sup> Articles that are outside the scope of Inditex's health and safety standards are subject to minimum requirement reports specifically compiled in accordance with the statutory requirements which apply to the type of product and the markets where they are sold.

<sup>41</sup> This includes tests and inspections carried out in 2023 as part of the Picking programme for all the Group's brands. The calculation methodology includes primary data obtained through statements from the service provider.

We also published the new guide to best manufacturing practices free of perfluoroalkyl and polyfluoroalkyl substances (PFAS). This guide provides information on the sources and common uses of these synthetic compounds, a clear testing method at both the chemical and textile application level using more sensitive analytical techniques, and guidelines to prevent cross-contamination at manufacturing sites.

In 2023 we launched a new version of the Clear to Wear (CtW) standard to bring it into line with the latest regulatory developments and to further our alignment with the Apparel and Footwear International RSL Management (AFIRM)'s Restricted Substances List (RSL). This standard covers restricted chemicals present in finished products.

We have also published a new edition of our Physical Testing Requirements (PTR), the standard which establishes the physical-chemical parameters for textile quality testing.

To verify compliance with our standards, we work with technology companies, research centres and laboratories of international reference to test that they are being properly applied. We also conduct our own programmes to analyse our articles, as well as audits at manufacturing centres.

In this connection, we focus our efforts on ensuring compliance with our standards at every stage of the product: design, raw material selection and manufacturing processes. To strengthen compliance with our Safe to Wear standard, we provide our suppliers with manufacturing guidelines that include measurement tables with specific safety requirements, such as the position of appliqués and cords or maximum lengths of free ends.

Our network of in-house testing laboratories plays an important role in this process, testing pursuant to the most demanding international standards. This way we ensure comprehensive product control, anticipating potential non-conformities with our product health and safety standards, and we improve textile quality in product durability terms.

With regard to the prevention of non-conformities, it is worth highlighting our **Picking** inspections programme aimed at ensuring that our articles are made in accordance with our health and safety standards. This programme identifies potential non-conformities by means of a representative sample at the supplier's facilities and an analysis conducted by external laboratories approved by our APPLABS programme. In 2023, 60,685 Picking inspections were carried out, and 821,934 analyses and tests were performed<sup>41</sup> (51,288 inspections and 721,980 analyses and tests en 2022).

We also have our **APPLABs** external laboratory approval programme. This initiative ensures that the analysis process and the results provided by these laboratories on our articles are accurate and according to the particularities of our model. This confidence is crucial because this information determines whether a production meets our standards. In 2023, a total of 57 on-site audits<sup>42</sup> were carried out at external laboratories and 47 comparison exercises, which involved analysing 6,821 samples (56 on-site audits, 35 comparison exercises and 5,951 samples in 2022).

In addition to these inspections, since 2017 we have been deploying **Minilabs**, a portable laboratory that allows our external auditors to conduct, at the supplier's own facilities and at any stage of the production process, up to six screening tests for substances and parameters regulated in the Clear to Wear standard and Physical Testing Requirements. In 2023, we performed 3,656 Picking inspections with Minilab and carried out 31,268 analyses and screening tests<sup>43</sup> (3,743 inspections and 33,029 analyses and screening tests in 2022).

Furthermore, we strive to improve the supply chain through our **Root Cause Analysis** (RCA), which enables us to conduct technical audits when we identify a non-compliance in the course of Picking inspections. These audits, which are carried out by specialists, are aimed at finding the root cause of the non-compliance in wet process facilities (dyeing, washing, tannery and printing, primarily) and proposing an action plan to remedy the defect.

In 2023, 36 RCA audits<sup>44</sup> were conducted (17 audits in 2022). The results showed that cross-contamination with other productions was one of the main causes of non-compliance. This programme allows us to generate and strengthen our expertise so as to be able to tackle and correct the causes of non-conformities and continue to improve our supply chain.

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① More information in the document *Innovation, collaboration and continuous improvement for chemical safety* available on Inditex's corporate website.

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## Collaborations

We are advancing, with our suppliers and the rest of the industry, in adopting best practices, particularly the selection of safe chemicals and wastewater management. We think that sharing our know-how and aligning requirements across the industry is essential to ensure compliance with our standards and to improve facilities in line with Greenpeace's Clean Factory Approach. We are also members of the Board of Zero Discharge of Hazardous Chemicals (ZDHC) and we are involved in AFFIRM, among other initiatives. We also collaborate with prestigious technological centres and universities.

In order to drive the transformation of our sector, we have made available to the industry The List, by Inditex programme through ZDHC's Gateway platform. This is a procedure for classifying chemicals that improves production processes and the health and safety of final garments. We have also adopted ZDHC's Manufacturing Restricted Substances List (MRSL), which specifies the chemicals whose intended use is banned from the manufacturing process.

Also alongside ZDHC, we have been involved in its new Chemicals to Zero programme to foster safer chemical formulations, which includes three certification levels: Foundational, Progressive and Aspirational. The recently launched 5th edition of The List, by Inditex has received official certification at the Progressive level, ensuring compliance with MRSL (ZDHC) restrictions and helping to safeguard compliance with the restrictions applicable to finished products (AFFIRM's RSL and CtW).

We also devise best manufacturing practice guidelines and provide regular training to our suppliers, especially those involved in wet processes. Thus, we continue to move forward in the proper selection, acquisition, handling, storage and use of chemical products.

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① More information in section [9.1.3. Health and safety indicators of our products](#) of this Report.

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<sup>42</sup> This includes audits carried out in 2023 as part of the APPLABs programme. The calculation methodology includes primary data obtained through statements from the service provider.

<sup>43</sup> This includes tests and inspections carried out in 2023 using the Minilab for all the Group's brands. The calculation methodology includes primary data obtained through statements from the service provider.

<sup>44</sup> The calculation methodology includes primary data obtained through statements from the service provider.

## 6.4.4. Use, end of life and waste management

GRI 3-3; 301-3; 306-1; 306-2; 306-3; 306-4; 306-5; AF18

### Use and end-of-life of our garments

One of the major challenges facing the textile sector is to lengthen the useful life of garments. At Inditex we want our products to accompany our customers a long time. So we want to help customers extend the life of their garments and we strive to make our products durable, thereby contributing to a circular economy. With this goal in mind, we are working on actions that offer innovative options and alternatives to maximise the useful life of our products.

One such initiative is Zara Pre-Owned, a platform we launched in 2022 to provide repair services and facilitate customer-to-customer sales and donations. At present, in line with our goal of make the platform available in all key markets by 2025, Zara Pre-Owned is available in 16 markets: Spain, Germany, Austria, Belgium, Croatia, Slovakia, Slovenia, Finland, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and the United Kingdom.

**/ Repairs:** this service allows customers to request the repair of any used Zara garment from any season. Our customers can request services such as button and zip replacements or seam repairs either online or in the Zara store of their choice.

**/ Customer-to-customer sales:** using this service, anyone can buy and sell Zara garments from any season. The space is organised by product category and provides detailed information on each item, including Zara's original information on the garment and current images from the seller.

**/ Donation:** customers can request the collection of clothes from their home to be donated to charitable entities. All collected items are delivered to local organisations that sort them for reuse where possible or to be recycled if they have reached the end of their life cycle. This supports the development of projects in local communities, as explained in the next section.

Another pioneering project in this regard was the launch in 2022 of The Laundry by Zara Home in collaboration with BASF. The Laundry is the first detergent designed to reduce microfibre shedding in washing, and it is available in the brand's stores and online. This detergent is especially effective at low temperatures, yielding additional benefits such as lower energy consumption in washing or improved colour fastness, prolonging a garment's life. In 2023 we made progress in extending the patent to include markets such as Canada, the US and Brazil.

### Clothing Collection Programme

The Clothing Collection Programme allows our customers to donate items they no longer use to more than 90 local community organisations in the markets where we operate. Donation is made through the containers located in our stores or Zara.com's home collection services, available in Spain, the UK, New York, Paris and several cities in Mainland China. In Switzerland and Hungary, where we have not yet established any agreement with non-profit organisations, we work with third parties specialising in textile recycling. In Spain we also work with Caritas to enable the donation of garments by means of containers located in the streets of a number of cities.

These non-profit organisations receive the donated garments and footwear from our facilities. The aim of this programme is that these articles are classified in accordance to the principle of waste hierarchy. Thus, garments in good condition will be donated to people in vulnerable situations or resold to finance these organisations' community projects. Those products that cannot be reused will be transformed into new textile fibres (upcycling) or, as a last resort, are made into new materials for industrial use (downcycling).

In 2023, our clothing collection programme recovered a total of 20,259 tonnes of garments and footwear (17,015 tonnes in 2022) that were donated to our partners in their entirety. To foster transparency in connection with these donations, our partners report to us regularly regarding how the articles received are used. In 2023, they informed us that:

/ 67% of all garments were reused via donations to people in vulnerable situations or by reselling to finance community projects.

/ The remaining 33%, which could not be reused due to their characteristics or condition, were sent to recycling projects (mainly downcycling), or, as a last resort, were used in energy recovery.

### Waste and resources management model

We know that our responsibility for the sustainability of our products does not stop at our stores. Consequently, we are working towards a circular economy model in which waste is turned into useful resources, maximising its value and improving our impact.

In our day-to-day operations we focus on the life cycle management of the waste generated by our activities. We have implemented projects to prevent the generation of waste materials where possible, and to enable the recovery, reuse and subsequent recycling of those that are ultimately generated. Thus, we transform these materials into resources that can continue to be used.



Our commitment to reducing the impact of our products also includes those items that accompany our garments, such as packaging. To achieve this, we have set public targets based on the waste hierarchy within the framework of our waste management programme.

### Prevention

In 2019, we have set ourselves the goal of eliminating single-use plastics reaching customers by 2023. The elimination of unnecessary materials and the quest for potential alternatives has been crucial in this process, and has involved numerous teams in the Company.

Thanks to their efforts, in 2023 we were able to find alternatives to all the single-use plastics that previously reached our customers<sup>45</sup>. We estimate that the implementation of these alternative solutions have enabled us to eliminate 95% of the weight of single-use plastics.

Interim exemptions apply to some of the eliminated items that temporarily allow them to be used: when these are products sold on non-Group platforms that have their own operations that include single-use plastics, or in case of continuity products purchased before 2023.

Our commitment in this sphere implies a continuous effort in innovation to avoid using single-use plastics in new product lines, at suppliers and in other Group operations.

In 2020 we already eliminated the use of plastic packaging in stores and online orders. In 2021, we launched the #bringyourownbag (#traetubolsa) initiative and started charging for our recycled paper bags in stores, with the aim of raising awareness among our customers about the importance of using reusable alternatives, reducing the generation of waste and minimizing the consumption of raw materials, water and energy.

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① For more information on the environmental projects our customers are financing, see section 7.3.5. *Key programmes* of this Report.

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In this regard, in 2021 we also signed a commitment with the Ellen MacArthur Foundation (EMF) to reduce by 50% our plastic footprint by 2025 compared to 2019. This commitment underpins our teams' efforts to promote the disposal, reuse and recycling of plastics.



<sup>45</sup> There are three items that cannot be eliminated for legal or safety reasons.

## Preparation

We are careful to properly manage and separate materials that arrive at our facilities: packaging and other items. We see this waste as resources that can be reused or recycled and we are committed to its proper management to prevent it from ending up in landfills.

This approach is not confined to properly sorting materials for processing and recycling, but includes rethinking our processes to reduce waste generation at every stage: design, logistics, store and end of life.

Our goal is that the waste generated at our corporate headquarters, logistics centres, and own factories and stores to be properly collected and managed by 2023. In this regard, in 2023, 100% of the waste generated in these facilities are collected, classified and managed by an authorised manager, to allow its reuse or recycling and avoid its deposit in a landfill.

We continue to make every effort to ensure the traceability of waste in the most challenging cases, such as in our stores located in shopping centres where a combined waste management is carried out.

In 2023 we have been working to be able to integrate the waste generated in our stores into our systems. Based on the data we have available<sup>46</sup> at the time of publication of this Report, we have estimated that around 89,000 tons of waste could have been generated through the Group's own stores in 2023. We continue to collect information to have more data for a complete year and being able to address the different singularities of store type by market.

Furthermore, in 2023, we have 14 TRUE certifications, processed by Green Business Certification Inc. for our headquarters, logistics centres and own factories (9 Platinum and 5 Gold certifications). TRUE certification identifies "environmentally responsible spaces which have achieved an average 90% or greater overall diversion from landfill or incineration".

## Management of materials

Our goal by 2023 onwards is for all packaging materials to be collected for reuse or recycling in our supply chain. In this regard, the separation of packaging at our facilities is essential for their subsequent reuse or recycling.

For example, our goods are packed in cardboard boxes for shipping to ensure that they arrive in good condition from our suppliers to the customer. Our objective is for this packaging to be reused wherever possible and, where it is not, for it to be recycled and reintroduced into the production cycle as a raw material. In 2023, 100% of the cardboard and paper collected in our centres, especially boxes, was allocated for reuse and/or recycling.

In addition, with the aim of going one step further, we are rolling out a service allowing our Zara online customers to choose whether they wish to receive their orders in reused boxes. The service is active in various geographic areas and we are working to expand its scope into new markets forthwith.

Our Green to Pack programme has been a key tool in achieving this goal, as it establishes the quality and environmental standards that our boxes must meet to allow their reuse and subsequent recycling. The programme also takes into account the social aspect and respect for human and labour rights in the manufacturing process. Consequently, any manufacturer wishing to be authorised as a supplier of Green to Pack boxes must pass a social audit in which compliance with our Code of Conduct for Manufacturers and Suppliers is verified.

### Waste management and future purposing

Waste generation at our headquarters, logistics centres and own factories is presented below<sup>47</sup>:

<sup>46</sup> Data on waste generated in 1,055 stores in different markets in Europe and Asia and from all the Group's brands have been used.

<sup>47</sup> These data do not include waste generated in our own stores and construction and refurbishment works of the Group as this information is not available at the required level of detail in the Company's systems. We have several projects underway to report this information in future years. The information included is derived from primary data.



Type of waste	2023 (KG)	2023 (%)	2022 (KG)	2022 (%)
Cardboard and paper	14,985,836	69%	13,713,321	66%
Wood	2,859,440	13%	2,773,840	13%
Other non-hazardous waste	2,545,777	12%	2,951,460	14%
Plastic	682,771	3%	680,725	3%
Textile waste	233,623	1%	245,018	1%
Metal	246,913	1%	232,293	1%
Hazardous waste	51,648	0%	35,623	0%
<b>Total</b>	<b>21,606,008</b>	<b>100%</b>	<b>20,632,280</b>	<b>100%</b>

#### The destination of this waste was as follows, according to its treatment

Non-hazardous waste destination	2023 (KG)	2023 (%)	2022 (KG)	2022 (%)
<b>Diverted from disposal</b>	<b>20,028,082</b>	<b>93 %</b>	<b>18,811,731</b>	<b>91%</b>
Recycling	19,685,985	91 %	18,607,803	90%
Preparation for reuse	342,097	2 %	203,928	1%
<b>Directed to disposal</b>	<b>1,526,278</b>	<b>7 %</b>	<b>1,784,926</b>	<b>9%</b>
Landfilling	1,236,015	6 %	1,600,519	8%
Incineration (with energy recovery)	290,263	1 %	184,407	1%
<b>Total</b>	<b>21,554,360</b>	<b>100 %</b>	<b>20,596,657</b>	<b>100%</b>

Hazardous waste destination	2023 (KG)	2023 (%)	2022 (KG)	2022 (%)
<b>Diverted from disposal</b>	<b>49,282</b>	<b>95%</b>	<b>26,141</b>	<b>73%</b>
Recycling	34,488	67%	24,531	69%
Preparation for reuse	634	1%	1,610	5%
Other recovery operations	14,160	27%	0	0%
<b>Directed to disposal</b>	<b>2,366</b>	<b>5%</b>	<b>9,482</b>	<b>27%</b>
Landfilling	708	1%	7,610	21%
Other disposal operations	626	1%	1,807	5%
Incineration (with energy recovery)	969	2%	0	0%
Incineration (without energy recovery)	63	0%	65	0%
<b>Total</b>	<b>51,648</b>	<b>100%</b>	<b>35,623</b>	<b>100%</b>

Our efforts also focus on reducing waste in canteens at our headquarters. In this context, we promote the use of mugs, glasses and glass bottles to avoid the use of single-use plastics and we implement a number of measures to stop wasting food and to encourage the proper separation of food waste.

