











# *EXCELLENCE OF OUR PRODUCTS*

*At Inditex we work to ensure that all our items comply with the highest standards of health, safety and sustainability, and we pay special attention to the raw materials we use.*

*In 2018, all the brands in the Group incorporated Join Life garments into their collections, which resulted in selling 136 million items, up 85% compared to last year.*

**Photo:** Inditex employee at the New York showroom.

SDG	TARGETS	INDITEX'S CONTRIBUTION
	3.9	Our commitment to product excellence is reflected in the most stringent health and safety standards, in addition to our Join Life standard and the Green to Wear environmental commitment for our supply chain. In addition, in 2018 work continued on The List by Inditex to include new chemical products classified according to a greater number of restricted substances.
	6.3	Water is a vital resource for the production of our raw materials and their industrial transformation. Inditex has made a commitment to achieve Zero Discharge of Hazardous Chemicals (ZDHC Commitment) by 2020.
	9.4	The application of the <i>Ready to Manufacture</i> and <i>Green to Wear</i> Programmes allow us to ensure compliance with our environmental standards and product health and safety standards during production with lower consumption of energy, water and chemical products.
	12.2	Through our <i>Green to Wear</i> Programme and Join Life labelling standard we encourage sustainable environmental behaviour along our supply chain, as well as promoting good manufacturing practices and favouring an efficient use of resources, waste reduction and correct waste management.
	12.4	
	12.5	
	12.8	
	15.1	Our Biodiversity Strategy and Forest Product Policy reflect our commitment to the conservation of nature and forest ecosystems. In 2018 we continued increasing our use of sustainable raw materials through the Join Life label.
	17.16	We collaborate with different organisations to advance the excellence of our products and the environmental sustainability of our supply chain. In 2018, our work with the Massachusetts Institute of Technology (MIT), the Better Cotton Initiative (BCI), the Organic Cotton Accelerator (OCA) and the Textile Exchange stands out, among our collaborations with other entities.

 More information on pages 294 and 295 of this Annual Report.

### R&D INDICATORS – EXCELLENCE OF OUR PRODUCTS

	<p>Throughout 2018, Inditex invested over €96 million in R&amp;D initiatives aimed at developing novel garments which stand out for the fibres used; for new product treatments and finishings; for their technical performance traits; and for the use of new washing and dyeing processes, among others. In turn, and with the goal of ensuring product health and safety, Inditex earmarks significant resources to multidisciplinary scientific research to guarantee the eradication of toxic or potentially hazardous substances from manufacturing processes and from finished products in the textile and footwear industry.</p> <p> More information about our R&amp;D projects on pages 160 of this Annual Report.</p>
	<p><b>Investment earmarked to R&amp;D</b></p> <p>€ 91,004,672</p>

Inditex has engaged an independent study to identify and measure the R&D effort in each of the Group's areas. The results are reported on in the various chapters outlining Our Priorities and are expressed in terms of investment (in euros) and the key projects carried out. The overall results of the study as well as an explanation of the assessment and the criteria used, is available in the "Sustainability, in figures" chapter.

 More information on pages 292 and 293 of this Annual Report.

In 2018, we put 103 million organic cotton garments up for sale, some 75% more than in the previous year.

## Sustainable, healthy and safe products

At Inditex we are committed to the protection and development of biodiversity through a responsible and sustainable management of natural resources. This is reflected in our Biodiversity Strategy, which is based on the principles of the United Nations Convention on Biological Diversity. The goal of the Biodiversity Strategy is to protect biodiversity at every level of our activity, as well as to ensure our business decisions are based on ethical and environmental criteria.

In order to respond to requests from our customers and offer them the fashion they want, we are working so that all the items we sell meet the most demanding standards for health, safety and sustainability, paying special attention to the raw materials we choose to make our products.

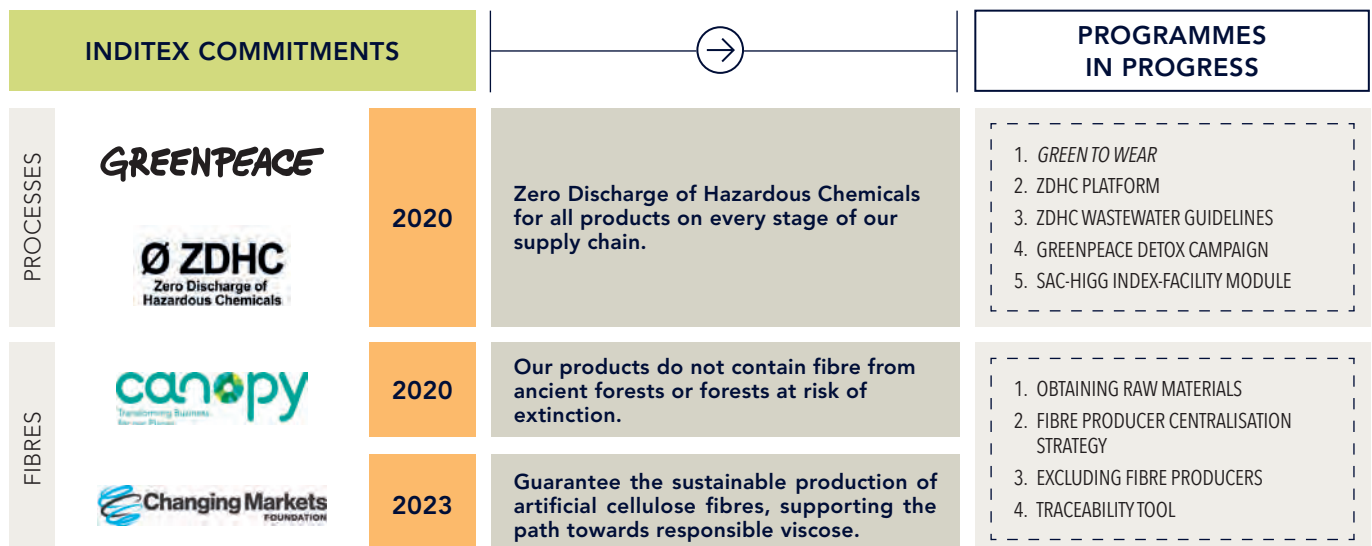
Accordingly, we are working to incorporate the most sustainable fibres and raw materials in our collections from the design phase. During 2018, we put 103 million organic cotton garments up for sale, some 75% more than in 2017.

In addition to organic cotton, we continue to promote the use of more sustainable raw materials such as TENCEL™, Lyocell, REFIBRA™ and recycled polyester, polyamide, cotton and wool materials. This year, in addition, we have

added some new raw materials such as organic linen, recycled polyamide and more sustainable viscose, which comply with the standards of the *European Union Best Available Techniques* and Inditex's Forest Product Policy.

In parallel to this, the number of Join Life garments in our collections continues to increase. Join Life is the label for the products with the most sustainable raw materials, and/or the products that use more efficient production technology and that have been manufactured in factories classified as A or B in both social audits and environmental assessments. In 2018, all the brands in the Inditex Group incorporated Join Life garments into their collections, which resulted in selling 136 million items, up 85% compared to last year.

Beyond the materials, we have also advanced in terms of programmes and standards that guarantee that our products are safe, healthy and sustainable for the environment. We have created new health standards, we have made progress in programmes to improve our production and we have increased the number of substances regulated on *The List*, by Inditex. We have also increased the number of environmental assessments by our suppliers, as well as the number of manufacturers that follow the good practices included in the *Ready to Manufacture Code*.



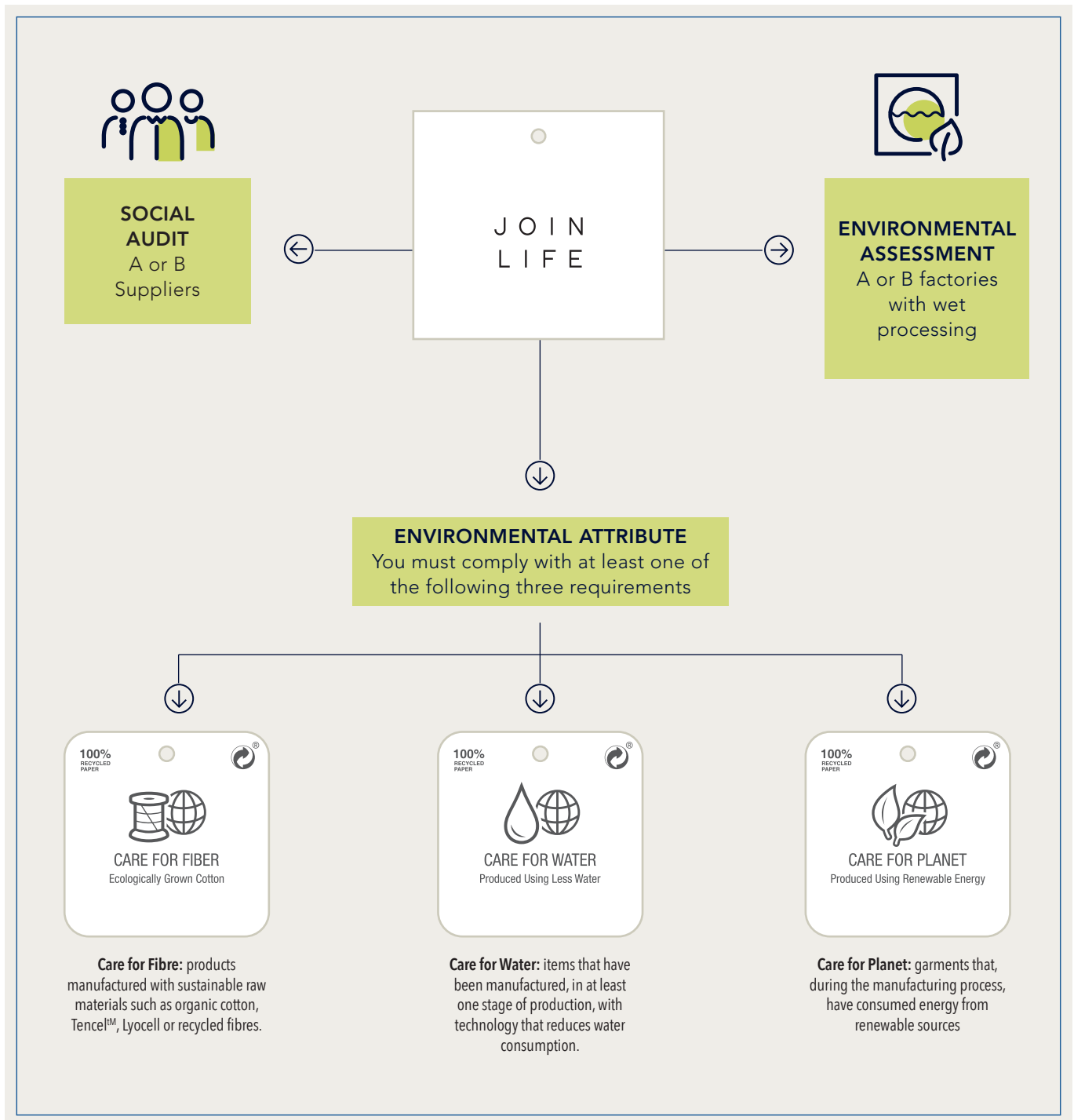


# 1. Join Life

The Join Life labelling standard is awarded to the garments produced with the most sustainable raw materials and/ or those that are manufactured with the best and most efficient production processes. Items are labelled with this seal when they meet the following requirements:

- Products manufactured by suppliers that have obtained an A or B rating in social audits.

- Products whose main components have gone through wet processing in factories (laundries, tanneries, stamping facilities or dry cleaners) that have passed environmental assessments rated as either A or B.
- The raw materials or production technology used mean that these items are awarded for their environmental excellence.



## Our Join Life collections in 2018

The presence of Join Life in Inditex Group brands has received a strong boost over the year. On the one hand, Zara, Massimo Dutti and Oysho have significantly increased the number of items in their collections with the Join Life label. Parallel to this, Pull&Bear, Bershka, Stradivarius, Zara Home and Uterqüe have all incorporated Join Life products in their commercial offer, after joining the project in 2017 through work with their supply chains. This effort has resulted in more than 136 million Join Life items being sold, 85% more than in the previous year.

In this sense, Zara's offer of Join Life products has grown 34% in comparison to 2017 and represents 11% of the total products sold by the brand. Oysho has also doubled its commitment to sustainability and best manufacturing practices, going from 4.9 million to 7.8 million Join Life items, 57% more than last year. Massimo Dutti, on the other hand, has consolidated products with the Join Life label in its collection, from 68,953 units in 2017 to over 2.7 million in 2018.

Brand	Join Life garments in 2018
<b>ZARA</b> (*)	91,598,960
ZARA HOME	831,752
<b>PULL&amp;BEAR</b>	6,970,894
Massimo Dutti	2,703,892
Bershka	23,644,573
Stradivarius	16,186
OYSHO	7,804,524
UTERQÜE	2,452
tempe (**)	2,749,555
<b>TOTAL</b>	<b>136,322,788</b>

(\*) Includes Lefties garments with the Join Life seal.

(\*\*) Manufacturer of footwear and accessories for Inditex brands. The quantity reported refers to footwear and accessories items with the Join Life seal manufactured for brands in the Group.



Zara: 91.5 million garments



Bershka: 23.6 million garments



Pull&Bear: 6.9 million garments



## 2. More sustainable raw materials

During the design and development stage of the collections, deciding which fabrics and materials to use is a key part of the process. At Inditex, following the key principles of our Environmental Sustainability Policy and the Strategic Environmental Plan for 2016-2020, one of our priorities is to promote the use of more sustainable fibres, which have a lower impact on the environment and reflect a more efficient use of resources.

During 2018 at Inditex, we worked with three hundred different types of raw materials. For this reason, we classify these raw materials according to their origin and two main categories: *fibres* and *non-fibres*. Over the course of the year, consumption was 88.24% and 11.76% respectively.

The non-fibre category includes a wide variety of different raw materials, both natural (vegetable, animal and mineral) and artificial. Its low relative importance in terms of total consumption does not justify an individual breakdown.

In the fibre category there are three different groups, depending on origin:

Type of fibre:	Definition	Percentage of use in 2018
Natural fibres	Filaments from a natural origin, which can be spun to obtain threads or cordage.	48.90%
Synthetic fibres	These fibres are made of polymers that do not occur naturally, but are instead produced in a chemical plant or laboratory, and are almost always made from petroleum by-products or natural gas.	38.70%
Artificial fibres	They are made of a natural component like a raw material, which undergoes a number of different transformations in a chemical plant or laboratory.	12.40%

Within the natural fibre category, cotton is one of the materials that is most frequently used to create our garments. Our commitment to organic cotton allows us to improve environmental performance, as it is cultivated through more sustainable practices that use only non-genetically modified seeds. In 2018, we put 103 million organic cotton garments up for sale, some 75% more than in the previous year.

We have also increased our consumption of Tencel™ Lyocell, a fibre created using wood from sustainable forests, where the trees are cultivated in a controlled manner and with programmes that guarantee reforestation. The production process for this fibre is carried out as part of a closed circuit that allows us to reuse 100% of the water and 99% of the chemicals involved. Inditex is now 2nd in the world for the consumption of this material, having sold 13 million garments made from it in 2018.

We have also continued using a more sustainable viscose in 2018, called Lenzing EcoVero™. This fibre is obtained from wood from certified and controlled sources, is manufactured in a more environmentally friendly production process than conventional viscose, and comes from a completely transparent supply chain. In addition, it has the EU Ecolabel certification for environmental excellence and complies with *European Union Best Available Techniques* standards and Inditex's Forest Product Policy.

Sustainably grown European linen garments, which are grown using natural irrigation and do not use genetically modified or defoliant seeds, as well as recycled polyamide garments, have consolidated their position among the products sold by the brands.

Our commitment to the most sustainable raw materials in 2018 has allowed us to achieve the following results:

Raw materials	Number of garments	Variation (%) with respect to 2017
Organic cotton	102,847,332	75.10%
Recycled materials	13,906,931	284.71%
TENCEL™ Lyocell	13,244,599	44.36%

## 2.1. Recycled raw materials

The production of recycled fabrics is more efficient in terms of consumption, since they require less water, energy and natural resources than new fibre, which means they entail a lower environmental impact. The production processes for recycled materials are also more efficient in terms of the consumption of chemical products, as they require less than virgin raw materials.

In 2018 we put more than 13.9 million garments made from recycled materials on the market, which means we almost quadrupled our use of these fibres in comparison to 2017.

Along similar lines, our Join Life collections for Zara and Massimo Dutti have incorporated new garments made with Refibra™ technology. This fibre is made from the leftover cotton from the cutting processes to produce our garments, and wood from sustainable forests and controlled sources. This material is obtained following the production process for Tencel™. This means it

combines the advantages of both and reduces the need to extract virgin raw materials.

Materials such as cotton or wool can easily be reused to create new textiles through conventional or mechanical recycling processes. Inditex has been working for years with companies specialised in the conventional recycling of cotton and polyester, and this collaboration has transferred over to the products sold by the brands in the Group, which sell Join Life items manufactured with this materials.

In the cotton and wool process, textile waste is classified by type and colour so it can later be shredded down to create smaller fibres. These are used to create new recycled threads in the same colour. In terms of polyester recycling, the process not only avoids the need to extract to produce new fibres, but it also significantly reduces landfill waste and the consumption of water and energy.

### Leading in sustainable fibres

According to the independent organisation *Textile Exchange*, our significant commitment to the most sustainable raw materials placed Inditex in 2018 as:

- Second largest consumers in the world of the sustainable **Lyocell** fibre.
- Fourth company in the world for **organic cotton** consumption by volume.
- Fourth in the world for the consumption of other **cellulosic fibres** of sustainable origin.
- Eighth in terms of highest volume of **recycled cotton** consumed.

(Source: *Organic Cotton Market Report 2018 and Preferred Fibres Market Report 2018* by Textile Exchange)

## 2.2. Forest raw materials

Since 2014, Inditex has a Forest Product Policy in place to guarantee the sustainability of our activities, and to protect primary forests and forests in danger of extinction. Along those lines, we work to ensure that all the forest fibres we use are sourced from sustainably-managed forests.

To comply with this goal, we apply responsible purchasing policies that give priority to forest products that use the highest amount of recycled material and post-consumer waste. In addition, we encourage our suppliers to develop and expand their selection of these materials. Similarly, our stores use furnishings and paper certified by PEFC and FSC.



## Promoting the use of more sustainable forest fibres

Based on our philosophy of respect for the environment, Inditex collaborates with entities like Canopy Planet and Changing Markets, promoting commitments and lines of action that ensure that our products do not contain fibres from primary or endangered forests and to encourage the use of fibres from more sustainable plant origins.

Since we launched the CanopyStyle initiative in collaboration with Canopy Planet, a total of 170 companies in the sector have joined the initiative. In 2018, and as a result of this joint work, 72% of the world's fibre production came from manufacturers who made a commitment to eliminating supplies from primary and protected forests and working towards innovative solutions that reduce the pressure on forest areas. In this sense, 52% of global production comes from suppliers that have passed the audits. And 28% of global production is free of the risk of receiving supplies from these forests.

In addition, beyond the origin of our raw materials, we also collaborate with the Changing Markets Foundation to ensure a more sustainable viscose production throughout the supply chain. To do this, as part of our Forest Product Policy, we have integrated the *Roadmap towards responsible viscose & modal fibre manufacturing*, the guidelines that drive this organisation.

## Animal Welfare Policy

All the products of animal origin used in the items sold by our brands come from animals that are treated in an ethical and responsible manner in accordance with the *Five Freedoms* of animal welfare that are internationally accepted. Our commitment is governed by the Inditex Animal Welfare Policy, developed together with the Humane Society of the United States (HSUS), and is available on our website.

Since 2013, Inditex has been a member of the *Fur Free Retailer Programme* by the Fur Free Alliance, which means that our retail formats do not sell fur.

Likewise, all the wool producers in our supply chain must comply with our rigorous standards for the ethical treatment of animals. This means we do not accept cruel practices such as *mulesing* to obtain wool. In addition to this, we interrupted our angora wool production in 2014 and have not sold any products using this material since 2015.

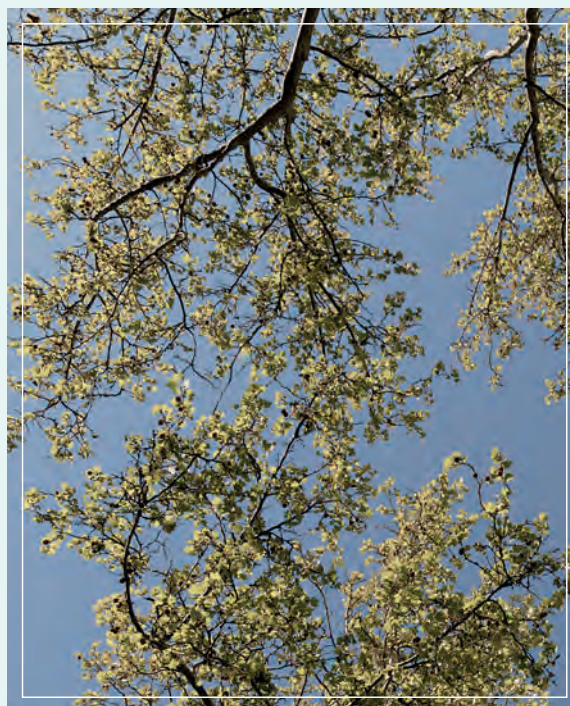
Likewise, we are committed to gradually removing mohair from our garments (currently only used in a small number) and by 2020 none of our garments will contain it.

## Working together to improve forests

**Forest products are essential for the textile sector: from the wood used in the furniture in our stores to the plant fibres used in some of our garments, right through to the cardboard and paper used in store operations. That is why our commitment to forest sustainability is inseparable from our efforts to ensure the sustainability of our business model.**

In 2007, Inditex began working with the Regional Government of Galicia and the Forestry Research Centre of Lourizán to encourage genetic improvements to the main species in Galician forests. Our commitment was reinforced in 2015 with the design and creation of Pico Sacro, in collaboration with the Galicia Forestry Association. The idea is a hill that will be used as a biological carbon sink (to measure CO<sub>2</sub> absorption) and a forestry laboratory, managed with the aim of providing information and transferring knowledge.

According to the recommended calculations produced by the Spanish Office of Climate Change, with the plantations of 30 June, 2018 in Pico Sacro, the CO<sub>2</sub> absorbed in the trees will reach 639.5 tons in 30 years, which is the equivalent of 66.6 tons of CO<sub>2</sub> per hectare of plantation.



## 3. We are committed to producing clean and responsible fashion

Our commitment to our customers is to ensure that the products we sell comply with the most stringent health and safety standards. These standards should be applied in general and are mandatory for all the items<sup>1</sup> that we sell as well as being mandatory guidelines for the manufacturing practices of all the suppliers on our supply chain.

This requirement also covers the chemical industry responsible for producing the dyes, pigments and auxiliary chemical products that are used in the textile and leather sector.

In this way, and thanks to our collaboration with technology companies, research centres and international reference laboratories, Inditex verifies that its standards have been implemented correctly through its own innovative programmes. These programmes include, on the one hand, carrying out an analysis of raw materials and articles, as well as the chemical products used to produce them. And, on the other hand, the completion of recurrent audits both in the facilities involved in manufacturing our articles and in the factories that produce the chemical products used in their manufacture.

### 3.1. Product health and safety

In order to work towards the excellence of our products, Inditex has a team made up of scientists and technology experts that monitor any news and changes to health and safety regulations. They are also in charge of identifying the chemical substances used in the industry and evaluating every process involved in manufacturing our products. This effort ensures that our items meet the highest levels of health and safety, regardless of any specific regulations that might apply in each market.

Thanks to this process, we have managed to go further than the List of Restricted Substances in terms of how they are used in the textile industry when establishing our product standards. We have provided additional knowledge that identifies restricted substances and controls the manufacturing processes, while we also propose the use of alternative technologies to avoid non-conformities. This knowledge is a very useful reference point for our manufacturers and for the entire industry when it comes to guaranteeing health and safety during production.

<sup>1</sup> The articles not included in the scope of the Group's health and safety standards have reports on their minimum requirements generated according to the specific legal requirements applicable to the type of product and countries where they are sold.

During 2018 we implemented the latest editions of our health and safety standards for garments, footwear and accessories, *Clear to Wear* and *Safe to Wear*. In addition, we have continued to work on implementing the first edition of our I+ standards (called IPLUS because of its acronym, *Inditex Precautions and Limits for Users' Safety*) to cosmetics and items that come into contact with food.

- **Safe to Wear:** This is the Inditex standard on garment safety that ensures that our articles meet the necessary characteristics to avoid any risk to the customer. Prepared in collaboration with international experts, this standard has been specially designed to guarantee the safety of children's and baby garments in aspects such as the design, the fastening of small parts and sharp objects, as well as restricting parameters such as the amount of flammable fabric used in articles intended for both children and adults. The third edition was implemented in 2018.
- **Clear to Wear:** is the Inditex standard on product health that regulates parameters and substances that are limited by law, to ensure that all the clothing products, footwear, accessories, parts and fabrics we receive from suppliers have the necessary characteristics to avoid any health risks to the customer. The fourth edition was implemented in 2018.
- **I+Cosmetics:** This product health standard is mandatory for all our cosmetic products. In addition to controlling parameters and restricting substances that are limited by law, it governs the maximum level of impurities allowed for source materials and includes REACH (the European Union's own regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals) as mandatory EU regulation that must be complied with by all Inditex suppliers. The first edition continued to be implemented in 2018.
- **I+FCM:** is the Inditex standard for product health that applies to articles that come into contact with food. It regulates parameters and restricts substances that are limited by law, as well as their transfer to food under normal or foreseeable conditions of use. As with the other standards, it aims to ensure that our products meet the necessary characteristics to avoid risks to the customer's health. The first edition continued to be implemented in 2018.

	safe to wear®	clear to wear®	i+COSMETICS	i+FCM	i+AIR FRESHENERS	i+CANDLES	i+CHILDCARE ARTICLES
	↓				↓		
Type	Product Safety	Product Health			Product Health and Safety		
Scope	Garments, accessories and footwear	Garments, fabrics, accessories, footwear and home textiles	Cosmetics	Products that come in contact with food	Home decoration items	Decorative candles and accessories	Childcare articles
Substances and parameters	10	37	110	57	11	7	20

In addition to standards that are already in place, and in line with the 2015-2020 Strategy to create and develop new I+ standards (IPLUS) for all the product categories sold by Inditex, in 2018 significant advances have been made in the development of standards for *I+ Air Fresheners*, *I+ Candles* and *I+ Childcare Articles*.

On the other hand, and in order to comply with our environmental commitments and, more specifically, with the ZDHC 2020 programme (*Zero Discharge of Hazardous Chemicals*), we have our own Manufacturing Restricted Substances List (MRSL) that applies to all the products manufactured and details all the chemical substances that are subject to specific restrictions or where their use is prohibited.

In 2018 we updated our MRSL, which includes more than 750 substances and which, by 2020, will cover any substances that pose even a minimum risk to the environment.

### 3.2. Environmental performance: *Green to Wear*

Inditex devotes significant effort and resources to guaranteeing compliance and improvement, as well as strengthening the environmental commitments in its supply chain. Improving the industry in environmental terms, a more sustainable use of resources from the ecosystem, especially water, and the protection of river and marine ecosystems are priorities that we are addressing through a comprehensive approach.

In this regard, our *Green to Wear* standard aims to manufacture products that respect the environment. *Green to Wear* defines the environmental behaviour and minimum requirements that our manufacturers and suppliers must comply with, especially when they relate to wet processing (dry cleaners, tanneries, artificial leather factories, printing and washing and finishing installations).

Verification audits for *Green to Wear* allow us to categorise our manufacturers and suppliers according to their environmental performance as either A, B, C or D. Depending on the results, those classified as A (*Best in class*) or as B (*Good performance*) can decide to aim for the Plus+ category, that is A+ or B+, if they implement the best *Green to Wear* technologies in their processes.

In 2018 we made significant advances in the new health and safety standards for all the product categories we sell.

## Commitment and transparency through the Zero Discharge of Hazardous Chemicals Programme

The Global Water Management Strategy defines how we collaborate with our stakeholders in terms of this issue and is based on the principles included in the CEO Water Mandate initiative, run by the *United Nations Global Compact*. The initiative brings environmental and social aspects together, since water affects the quality of river ecosystems and, at the same time, is a resource on which the development of many communities depends.

Inditex is committed to achieving *Zero Discharge of Hazardous Chemicals* by 2020 (the ZDHC Programme), an initiative promoted by Greenpeace. To achieve this, we have driven forward and increased cooperation with our suppliers, the chemical industry and with scientists and researchers in different areas.

As a result of fulfilling all of these objectives, Inditex was named world leader in the Detox Catwalk 2016, an assessment carried out by Greenpeace to check whether textile brands are complying with their commitment to the Detox 2020 Plan, in terms of transparency and the removal of fluorocarbons. Similarly, in 2018 Greenpeace recognised Inditex as a "leader of this paradigm shift" in its *Destination Zero* report.

Along these lines, we also participate in the programmes *The List*, by Inditex and *Ready to Manufacture* in order to improve and supervise both the chemical products used in the industry and the facilities where the articles are manufactured. By implementing both of these programmes, we also aim to comply with Greenpeace's *Clean Factory* vision by working with our supply chain and the chemical industry that manufactures dyes, pigments and auxiliary chemicals.

In order to take full advantage of our knowledge of the substances used in the textile and leather industry, and in application of the Precautionary Principle established by Greenpeace, Inditex promotes the Working Group for Safety Studies on Chemical Substances. The group includes experts on safety regulations and the experimental determination and computer prediction chemical substance safety from Santiago de Compostela and Pompeu Fabra universities. The objective is to build a database with as much detail as possible with regard to substances that may potentially be used in the fashion industry using available scientific data. At the same time, substances for which adequate scientific information is not available will be subject to experiments and computer analysis.

On the other hand, we also have our own Manufacturing Restricted Substances List (MRSL), which lists chemical substances that are subject to specific restrictions or are

banned from use. During 2018, Inditex updated the MRSL and worked on substitutions for included substances. Inditex also made it easier for suppliers to publish the results of water analysis. We also made advances in how facilities related to wet processing are identified. Similarly, we are committed to the transparency of our progress towards this objective, and as such over the year we published all the materials indicated above on the website [www.wateractionplan.com](http://www.wateractionplan.com).

We carry out constant assessments to check how we are advancing towards the ZDHC Commitment through exhaustive evaluations of all the units in our supply chain with respect to the Manufacturing Restricted Substances List (MRSL) and the *Clear to Wear* standard. In this sense, the *Green to Wear* and *Picking* programmes are key to our assessments.

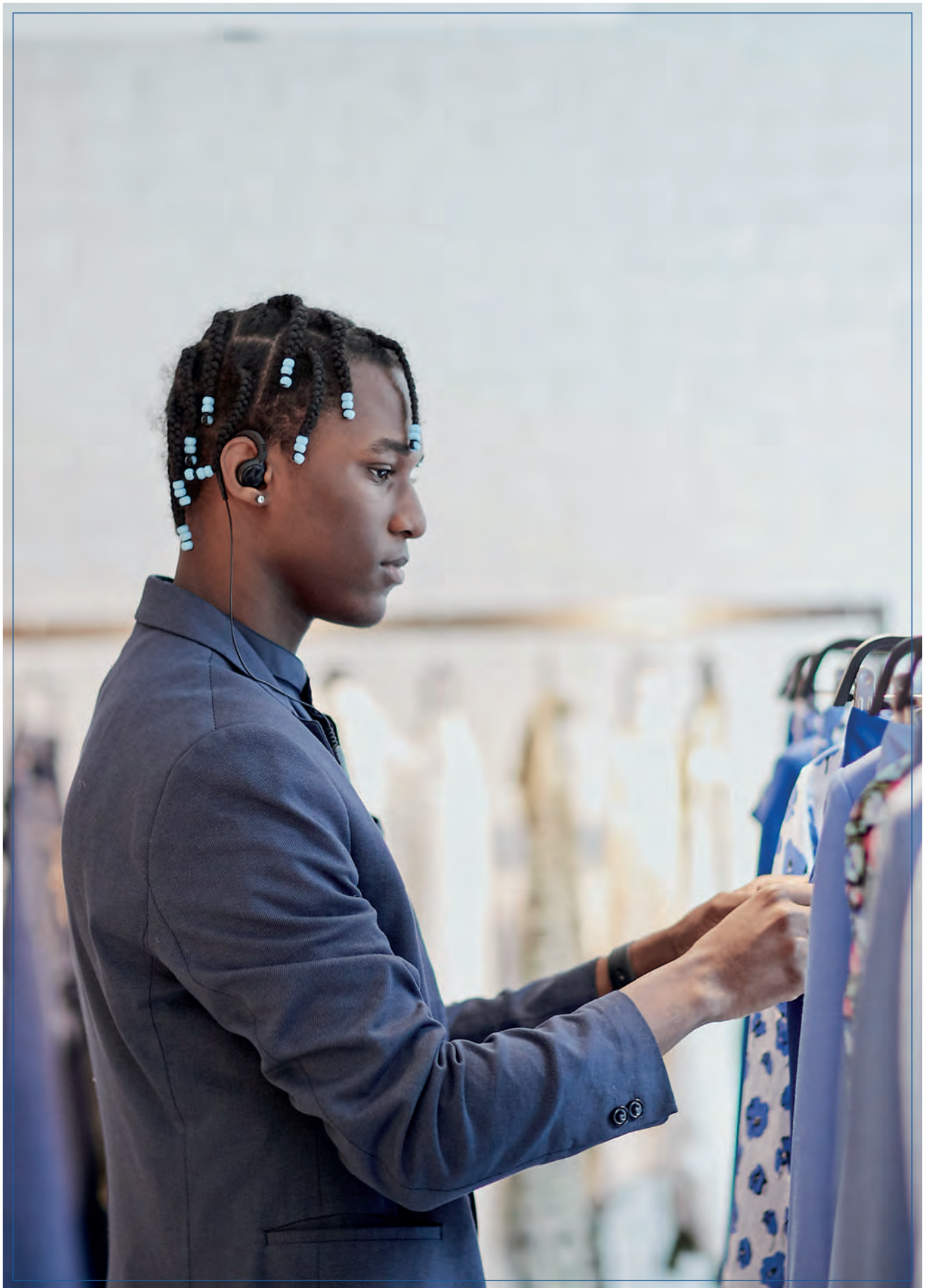
The methodology to implement the ZDHC Commitment begins by cleaning the manufacturing units in the supply chain, so that when we detect a breach in wastewater standards or in the final product, we can carry out a Root Cause Analysis. This allows us to identify the source of the incident and prevent it from happening in the future by implementing a Corrective Action Plan. Our research is carried out by experts in textile and leather manufacturing, and includes an audit of all the facilities involved in the affected manufacturing process, especially looking at their inventories of chemical substances and the manufacturing processes used.

Beyond compliance with the ZDHC Commitment, we collaborate with the ZDHC Organisation by supporting initiatives such as ZDHC Gateway. This helps our suppliers publish the results of wastewater analysis obtained during the environmental assessments that are part of the *Green to Wear* Standard on the ZDHC Gateway Platform, a portal specially designed by the organisation for this purpose.

On the other hand, Inditex also collaborates with the Chinese Institute of Public and Environmental Affairs (IPE) to improve the environmental management of our supply chain in China. We work together with our suppliers to help them share the results of their wastewater analysis on the IPE website. As a result, a map has been created to monitor the environmental performance of textile factories in China that associates the list of suppliers for each brand with data on the environment, wastewater and greenhouse gas emissions (GHG).

In addition to the aforementioned commitments and goals regarding transparency, we also have a *PFC free* policy in place that is mandatory for all our suppliers and requires the removal of said compounds from our garments.

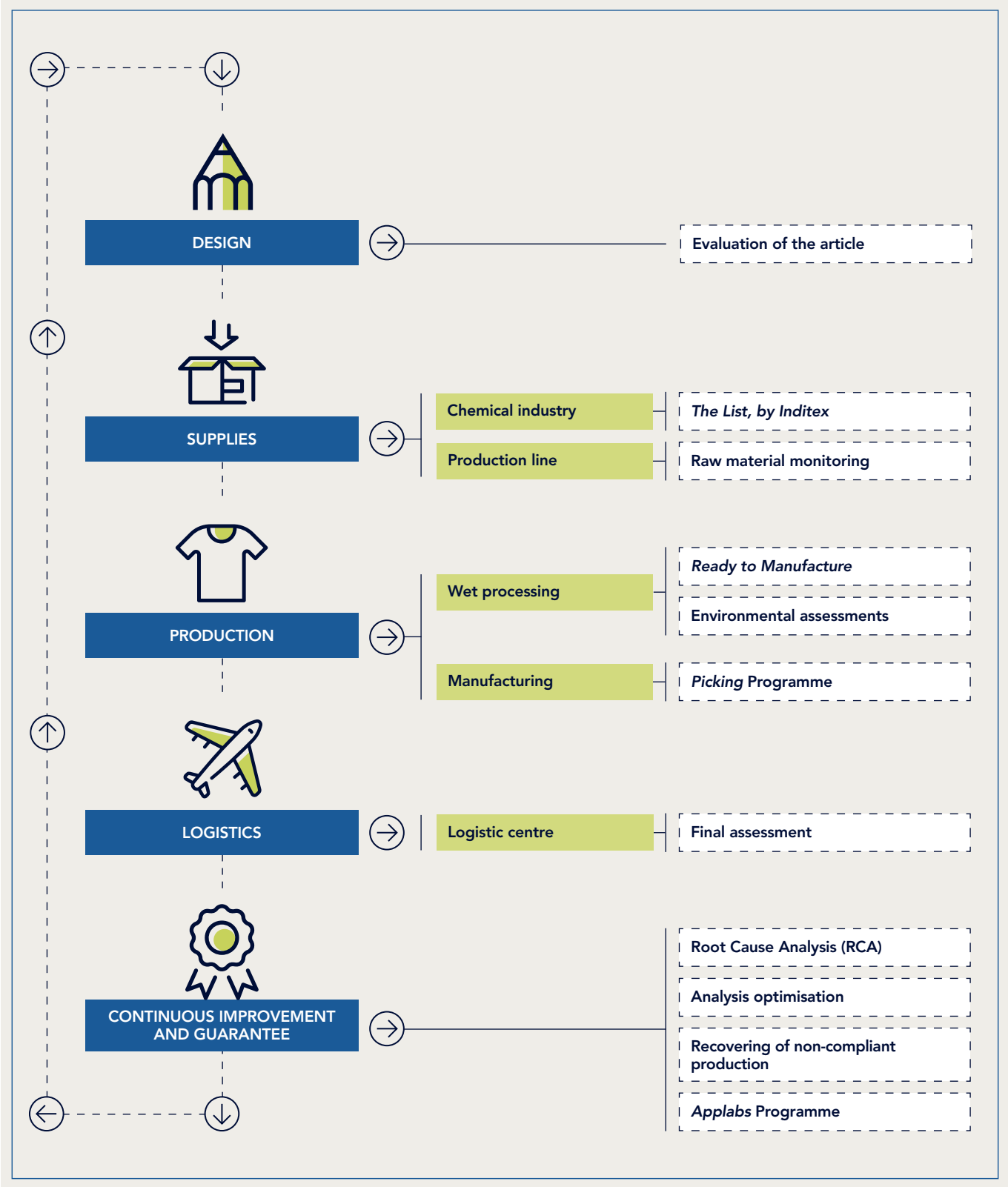




# 4. Control and continuous improvement in the manufacture of our products

Inditex collections are sold on 202 markets. To ensure that all our products comply with the most stringent standards for health, safety and environmental sustainability,

we have developed a comprehensive control and improvement programme for every stage of production that is mandatory across our entire supply chain.





DESIGN



### Evaluation of the article

Inditex monitors articles and compliance with standards in a process that starts in the design phase, when it is time to make decisions like the choice of raw materials, which are critical for subsequent stages of manufacturing. In this sense, in order to guarantee

that our articles comply with health and safety from this moment onwards, we provide our suppliers with detailed information on the design of the article, the raw materials chosen (fabric, threads and linings) as well as any accessories (buttons, zips or appliqués), the manufacturing processes to be used and the size of the laces or sliding cords, if any.

## R&D CONTRIBUTING TO PRODUCT EXCELLENCE



### PROMOTION OF BEST PRACTICES IN THE SECTOR: THE CASE FOR PRODUCT SAFETY

Product safety is a cornerstone of Inditex's business model. The product safety pledge has been gaining importance in recent years and takes the form of unwavering compliance with applicable regulations and standards and the implementation of R&D programmes within the organisation. These programmes have enabled Inditex to embed safety throughout the entire product manufacturing process. Similarly, the various programmes carried out are making a significant contribution to moving the industry towards the adoption of best practices.

#### CLEARFASHION PROGRAMME

The Clearfashion Programme encompasses all of the initiatives pursued at the Company to replace the use of potentially harmful substances in any stage of production of our products with less harmful alternatives. Against this backdrop, the R&D effort in this arena is carried out in collaboration with academic institutions, research centres and other prestigious organisations. The programme is structured into three key stages:

- Detection of technological processes that lend themselves to the appearance of harmful substances
- Elimination of risky technological processes
- Replacement of potentially harmful substances with more benign alternatives

#### MANUFACTURING EPIDEMIOLOGY

In collaboration with the Centre for Biological Chemical and Molecular Material Research at the University of Santiago de Compostela (USC), Inditex has developed a Big Data Analysis system that allows it to detect the causes underlying technological processes that give rise to issues related with product safety and harmful substances.

Methodology applied to textile and leather garment dyeing, printing and finishing processes. The analytical process generated over 3 million results



#### Result:

Launch of a programme for the elimination of risks in wet processing in the industry

#### TOXICITY TABLE

In collaboration with USC's Genetics Department, Inditex has developed the **first absolute toxicity table**, testing for both acute and chronic toxicity.

Acute toxicity tests of water-soluble and water-insoluble substances	→	Focus: Replacement of carcinogenic substances and cardiovascular/respiratory toxicity
Chronic toxicity tests for substances regulated by the textile industry	→	Focus: Replacement of endocrine disruptors and reproductive toxicity
Technical assistance with toxicity matters	→	Focus: Replacement of harmful chemical substances in manufacturing



SUPPLIES



## Raw material monitoring

**6** INTERNAL CONTROL LABORATORIES  
TO ANALYSE **18** SUBSTANCES AND PARAMETERS  
REGULATED BY OUR STANDARDS

Before producing an article, we check for compliance with our health and safety standards at every the stage of raw material procurement (for fabrics, leather, trim and appliqué, among others). We also check the first batches of dyed items, stamped articles and finishes.

Inditex ensures that there are exhaustive checks on the products in the first phases of the cycle through a network of internal quality control laboratories, which are equipped with the infrastructure and instruments necessary to carry out tests in accordance with the most demanding international regulations. These laboratories become an effective tool to check for any potential non-conformities with the *Clear to Wear* and *Safe to Wear* standards during the early stages of production.

Currently, we have an internal analysis structure that has six laboratories with the technology to analyse up to 18 substances and parameters regulated by the *Clear to Wear* and *Safe to Wear* standards. These facilities are also used to monitor whether our fabrics comply with the health, safety and quality parameters of our standards..

The 4th edition of *The List, by Inditex*, which will be officially launched in 2019, includes the classification of 25,943 chemical products sold by 26 manufacturers.

## *The List, by Inditex*

**25,943** REGULATED CHEMICAL SUBSTANCES  
IN THE 4TH EDITION OF THE PROGRAMME,  
31% MORE THAN IN THE PREVIOUS EDITION

In 2013, Inditex launched *The List, by Inditex*, a pioneering programme in the textile and leather industry that we developed in collaboration with the chemical industry. The aim of The List is to classify and improve the chemical products used to manufacture our articles, as well as to guarantee compliance with the *Clear to Wear* standard, the Manufacturing Restricted Substance List (MRSL) and the Inditex commitment to achieve the *Zero Discharge of Hazardous Chemicals* by 2020.

The verification and checks on controlled substances in *The List, by Inditex*, involves both audits on the facilities where chemical products are manufactured and an exhaustive monitoring process of our product health policies. It also involves the analysis of chemical products.

In 2018 we continued to work on the 4th edition of *The List, by Inditex*, which will be officially launched in the first half of 2019. To produce The List, we carried out 57,267 analyses in order to classify 25,943 chemical products (31% more than in the 3rd edition) sold by 26 manufacturers (18% more than in the 3rd edition). Similarly, we are carrying out an assessment and promotion of the chemical substances included in *The List, by Inditex*, when, as well as being safe, they provide advantages in terms of environmental sustainability and saving water and/or energy during the production process. We also want to promote chemical products that allow an increase in the useful life of the final article or an increase in productivity for the facilities that use them.





## PRODUCTION

### Ready to Manufacture

OVER **700** SUPPLIERS INVOLVED  
**2,008** AUDITS IN WET PROCESSING PLANTS

In addition to showing how committed we are to our customers, our health, safety and environmental sustainability standards are designed as tools to improve the industry. That's why Inditex has a code of good manufacturing practices, *Ready to Manufacture* (RtM). This code is pioneering in the sector and also aims to ensure compliance with our standards and the ZDHC Commitment (*Zero Discharge of Hazardous Chemicals*) by 2020. This code is applicable to all direct Inditex suppliers of textile and leather goods, as well as wet process installations (dry cleaners, laundries, tanneries and stamping plants).

We ensure compliance with the *Ready to Manufacture* code through monitoring procedures and controls in all our production facilities, while establishing an analysis programme for both the chemical products used and any production processes classified as potentially risky.

In 2018, through our good practice programme, we carried out a total of 2,008 audits on wet process facilities associated with 734 suppliers. In addition, we completed 44 training sessions for fabric suppliers.

### Environmental assessments

**1,364** ENVIRONMENTAL ASSESSMENTS FOR WET PROCESSING OVER THE LAST FIVE YEARS  
**135** NEW PLANS FOR ENVIRONMENTAL IMPROVEMENTS

Based on the premises established in the *Green to Wear* Standard, we work with our suppliers to promote environmental advancements in the wet processing involved in textile manufacturing (dyeing, printing, washing, tanning and finishing). Accordingly, and since the beginning of this programme in 2014, we have carried out a total of 1,364 environmental assessments in our wet process plants.

These assessments allow us to ensure compliance with the Manufacturing Restricted Substances List (MRSL), as well as guaranteeing responsible environmental behaviour in accordance with our *Green to Wear* Standard.

These inspections result in actions aimed at improving the environmental management of these facilities. In 2018, we successfully completed 135 new environmental improvement plans with personalised support, meaning significant progress for the factories in this area.





LOGISTICS



## Picking Programme

**OVER 790,000 ANALYSES AND TESTS,  
OVER 63,000 INSPECTION VISITS  
TO OUR MANUFACTURERS**

The *Picking Programme* is a tool that guarantees that all of our articles are manufactured in accordance with our health and safety standards. To do this, we carry out technical inspection visits to our factories and select a representative number of finished garments at random. We then complete tests and analyses on these garments that ensure compliance with the regulations included in all our standards. During the 2018 financial year, 794,744<sup>1</sup> analyses and tests were carried out on the items collected during 63,420 inspection visits to our manufacturers.

Having the proper tools to check compliance with our standards in a fast and accurate way is a constant challenge for Inditex. For this reason, and as a complement to our *Picking Programme*, we have launched the so-called *Minilabs*, portable laboratories the size of a carry-on bag that allow users to carry out screening tests on six substances and parameters in the *Clear to Wear Programme* at any time.

Thanks to the *Minilabs*, we have been able to carry out tests in the factories themselves, increasing the efficiency of our control systems. During 2018, 1,276 *Picking* inspections were carried out using *Minilabs*, involving 17,212 analyses and screening tests. In addition, and with the aim of expanding the coverage of this test system in our main manufacturing clusters, *Minilab* suitcases have been provided for our inspectors in Pakistan, Cambodia and Vietnam, who have been trained to use them.

This development allows us both to accelerate the decision-making linked to the *Picking Programme*, as well as the possibility of recovering and saving any affected production before it is delivered. Another important aspect of this process is supplier awareness, since the test takes place in their presence and on their own facilities.

<sup>1</sup> This data exclusively contains the analyses carried out by Inditex, in order to provide a comparison with the data from previous editions of the annual report. During 2018, 139,236 analyses and tests were carried out on Tempe articles.

## Final assessment

Once the design and production have been completed, all our items are shipped from the countries where they were manufactured to our distribution centres. At this point, our health and safety technicians assess the products, monitor the results of the analyses carried out and complete other product safety inspections, especially on small parts, cords and strings.

If any design modifications or incidents are detected during the initial risk assessment for production, we make any required analyses or corrections at the time to ensure that all our products comply with Inditex standards.





## Root Cause Analysis (RCA)

**47 RCA AUDITS CARRIED OUT**

When an item does not comply with *Clear to Wear* requirements, Inditex carries out a Root Cause Analysis (RCA) to understand what has happened and study any new possibilities and strategies for improvement.

During the RCA, textile and leather experts assess the facilities (dry cleaners, laundries, tanneries and print plants) involved in manufacturing the affected article in order to establish the root of the problem. Once the root cause has been identified, a Corrective Action Plan (CAP) is established for the factory to avoid future incidents and checks are carried out to ensure the *Ready to Manufacture* (RtM) Programme has been implemented.

During 2018, 47 RCA audits were carried out. The results showed that, in 79% of cases, the supplier had used chemical products not allowed on *The List, by Inditex* during manufacture, and/or chemicals that had not been properly checked before starting the manufacturing process. Cross-contamination between different production processes where appropriate manufacturing conditions were not followed was the cause of 13% of the problems detected. 2% of non-conformities were caused by the presence of restricted substances in the raw materials from the conditioning stages. Finally, 6% of the remaining nonconformities were divided between 4% of RCA where the cause of the problem could not be established, and 2% that are from a mix of different sources.

All of this information allows us at Inditex to provide feedback and enrich our *Ready to Manufacture* programmes and *The List, by Inditex*, which ensures we are constantly improving them.

## Analysis optimisation

Within the framework of the *Picking* Programme, Inditex collaborates with chemical and mathematical researchers at the University of Santiago de Compostela with the aim of developing tools that can predict which manufacturing technologies have the greatest risk of generating non-conformities. In this way, and by virtue of a continuous process of updating and improvement, we can check conformity with our standards across a greater number of references and by carrying out less analyses. And all without compromising our commitment to and maximum responsibility for the health and safety of our products.

## Recovering of non-compliant production

In order to reduce any products discarded due to non-conformities with our standards, we work with our scientific and technological partners to recover production by removing the substances that caused the non-conformity. As a result of this collaboration, we have implemented protocols to recover production when we detect the presence of substances such as arylamines, phenols, formaldehyde and phthalates, as well as to resolve any pH excesses or defects.

## Approval of Laboratories Programme (Applabs)

In order to establish whether a production batch meets our standards, at Inditex we rely on the results of tests carried out by the external laboratories in our analytical network. Given our production model and the strict limits imposed by our standards, we aim for maximum reproducibility, precision and accuracy.

These laboratories can be trusted based on an approval programme by external laboratories called *Applabs*, which was designed and developed together with the University of Santiago de Compostela and has several stages:

- On-site audits that verify, among other things, the technical competence of the laboratory staff and how diligent they are in their analyses.
- Monitoring the results of every laboratory through comparisons. Laboratories whose results deviate from the quality levels demanded by Inditex are subject to corrective actions and, if these are not resolved, they are excluded from the Group's laboratory network.
- Mixed technical committees, brought together to discuss the problems detected, optimisation actions or new methods of analysis, among other issues.

In 2018, nine on-site audits were carried out in external laboratories and 17 intercomparison exercises were completed, involving the analysis of 8,565 correlation samples.





## 5. Control and continuous improvement in the quality of our products

In application of Greenpeace's *Slowing the Flow of the Materials* initiative, which aims to reduce the impact of the textile industry on resources needed for production, we put in the work in 2018 to raise the quality and durability of our garments and therefore increase their useful life.

In this regard, and given the importance we place on the continuous improvement of the technological processes involved in manufacturing our articles, we have worked to improve specific quality parameters, one of which is colour fastness. In order to improve in terms of this parameter, we need to overcome some technological limitations in the manufacturing process that lead to products that do not conform with the *Clear to Wear* Standard. To comply with these premises, we need to innovate in our search for alternative technologies for certain processes. In this sense, we have implemented solutions that offer significant advantages; they make it easier to produce higher quality articles that are more durable; they minimise the use of chemicals, water and energy; and they ensure production according to the CtW standard. In this sense, our commitment to improving the quality of our articles is specified in:

- Training meetings with our suppliers to share technological alternatives.
- Sharing and offering support for the implementation of different technical support materials that are developed in collaboration with companies that are predominantly in the dyeing, printing and chemical products manufacturing sector. These materials are the result of using technological innovation to resolve specific quality problems.

During 2018, our experts in the field of product health and safety completed training and technical support activities in some of the manufacturing clusters in the Inditex Group: Portugal, Morocco, Turkey, China, Bangladesh, India and Pakistan. In relation to technical support materials, we have developed procedures to improve colour fastness in articles that are dyed or printed with fluorescent pigments. We also want to improve the reaction of fabrics and feathers when they come into contact with an ignition source.



## 6. Dialogue and cooperation with international organisations

At Inditex we believe in cooperation and dialogue with universities, research centres, public and private institutions and social organisations as a primary tool to achieve continuous improvement in terms of our products and manufacturing processes.

### 6.1. Universities and research centres



#### Massachusetts Institute of Technology (MIT)

Within the framework of our Closing the Loop Programme, we work together with the Massachusetts Institute of Technology (MIT) on the MIT-MISTI (International Science and Technology Initiatives), in order to research mainly in recycling technologies and creation of textile fibers through non-polluting systems.



#### University of A Coruña

In collaboration with this university, at Inditex we are developing technical datasheets that analyse different existing systems and technologies for each of the different stages in the purification process in order to improve their operation and reduce the discharge of chemical substances.



#### University of Santiago de Compostela

We have been working with the University of Santiago de Compostela since 2004 to create and develop different shared programmes, which have visible results such as the product health and safety standard *Clear to Wear*, as well as the application of multidisciplinary solutions (chemical, biological, mathematical and pharmacological) to resolve challenges in terms of sustainability, manufacturing articles, detecting unsuitable technological processes and optimising analysis methods and risk assessment protocols.



#### University of Lleida.

#### A3 Leather Innovation Centre in Igualada

Developing the best technologies for leather tanning and ennoblement, as well as sensitive and versatile methods to analyse key substances such as formaldehyde and chromium (VI), are the axes of our cooperation with the A3 Centre.



#### Barcelona Biomedical Research Park (PRBB)

The Barcelona Biomedical Research Park is a joint initiative with the Regional Government of Catalonia, Barcelona City Council and Inditex to assess the risks associated with the chemical substances used in the textile and leather industry.

### 6.2. Industry organisations



#### Sustainable Apparel Coalition (SAC)

We are active members of the Sustainable Apparel Coalition (SAC), with the aim of progress in improving sustainable transformation in the sector. The SAC's main initiative is the Higg Index, a tool to understand and minimise the environmental and social impacts of every stage on the textile value chain, from the choice of raw materials to the end of the product life cycle. In this context, we have updated the units aimed at brands, *retailers* and suppliers, in order to promote more sustainable practices throughout the industry.

More information on: <https://apparelcoalition.org>



#### Organic Cotton Accelerator (OCA)

This multi-sectorial initiative has the mission of promoting organic cotton around the world. We are founding members of the investment committee. In addition, in 2018 we continued to work on a project to collaborate with farmers to raise awareness of the environmental and social benefits of organic cotton and therefore promote its cultivation.

More information on: [www.organiccottonaccelerator.org](http://www.organiccottonaccelerator.org)



#### Better Cotton Initiative (BCI)

At Inditex we collaborate with the Better Cotton Initiative (BCI) as members. The initiative aims to improve global production of sustainable cotton and thereby contribute to the future of the cotton sector, both in social and environmental terms. Together with other leading organisations in the textile sector, we support cotton farmers through technical training programmes, encouraging more environmentally-friendly cultivation practices.

More information on: [www.bettercotton.org](http://www.bettercotton.org)



#### Canopy Planet

As founders of the *CanopyStyle* initiative, we work with the organisation Canopy Planet to protect primary forests and forests with high ecological value through the textile brand. Our common goal is to produce artificial cellulose fibres that are sustainable, to be used as a raw material for textiles. And to do this, we collaborate with the main suppliers in the world to promote sustainability throughout the value chain.

More information on: [www.canopyplanet.org](http://www.canopyplanet.org)



### Textile Exchange

As members of *Textile Exchange*, we collaborate with this independent and non-profit organisation, which is a leading international figure in the sector. Its aim is to achieve a more sustainable textile industry, promoting and helping to establish best practices and sustainable business models.

More information on: [www.textileexchange.org](http://www.textileexchange.org)



### Zero Discharge of Hazardous Chemicals (ZDHC)

This organisation is part of our effort alongside the rest of the industry to advance towards our commitment to achieve *Zero Discharge of Hazardous Chemicals* by 2020. In addition, we support the ZDHC's initiative calling for transparency. We also work with our suppliers to publish the results obtained from wastewater analysis carried out in the *Green to Wear* assessments. These results are published on the ZDHC Gateway Platform, which was developed specifically for this purpose.

More information on: [www.roadmaptozero.com](http://www.roadmaptozero.com)



### CEO Water Mandate

We signed this global commitment promoted by the UN, which we use to promote and achieve an adequate and sustainable management of water resources.

More information on: [www.ceowatermandate.org](http://www.ceowatermandate.org)



### Ellen MacArthur Foundation

We are in favour of the global commitment driven by the Ellen MacArthur Foundation in collaboration with the United Nations Environment plan for 2025. The commitment promotes the goal for all the plastics we use in our activity to be reused or recycled, so that they can be reintroduced into the circuit while reducing the amount of unnecessary packaging and increasing the percentage of recycled content in these materials.

More information on: [www.ellenmacarthurfoundation.org](http://www.ellenmacarthurfoundation.org)



### Fur Free Alliance

The Fur Free Alliance (FFA) is an international coalition of animal welfare organisations. As part of our commitment to the ethical and responsible treatment of animals, Inditex is a signatory of the *Fur Free Retailer* Programme. In accordance with its strict standards, none of our brands sell products that contain fur skin (any part of the animal skin with hair attached to it, whether unrefined or processed, or the skin of any animal killed exclusively for its fur).



### Istanbul Textile and Apparel Exporters Association – ITKIB

Inditex is part of a long and fruitful collaboration in Turkey with ITKIB, the Istanbul textile association, and EKOTEKS, the customs control laboratory, in order to develop new techniques to analyse cosmetics and sustainable fibres.

## 6.3. Governments and public administrations



### Chinese Institute of Public and Environmental Affairs (IPE)

For another year running, we have upheld our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE), in order to improve the environmental management of our supply chain in China and to publish the results of wastewater analysis. We have continued to work together to develop a map that monitors the performance of textile companies in China.

More information on: [www.ipe.org.cn/index.aspx](http://www.ipe.org.cn/index.aspx)



### CIQ Shanghai

Inditex participates in the *Pre-Testing Programme* with CIQ Shanghai, which is part of the Department of Customs Inspection and Quarantine of China, a department that is reserved for companies with a very high level of compliance with health regulations for imported items.



### Global Fashion Agenda

We are committed to the Global Fashion Agenda, the main leadership forum for industry collaboration on fashion sustainability. We are working on projects related to progressing towards a circular economy for our garments by 2020.

More information on: [www.globalfashionagenda.com](http://www.globalfashionagenda.com)



### Fashion Industry Charter for Climate Action (UNFCCC)

In 2018, under the framework of the Polish Climate Conference, we became one of the first signatories of the *Fashion Industry Charter for Climate Action*, promoted by the UN Office for Climate Change and aligned with the objectives of the Paris Agreement. The initiative aims for an industry with zero net emissions by 2050 and establishes an initial target of reducing greenhouse gas (GHG) emissions by 30% by 2030.