











# CIRCULARITY AND EFFICIENT USE OF RESOURCES

*86% of our stores are already eco-efficient and all of them will be by 2020. At the same time, we continue to advance the circular economy, promoting recovery, reuse and recycling, as well as the re-incorporation of as many materials as possible into our value chain.*

**Photo:** Zara Vittorio Emanuele in Milan.

SDG	TARGETS	INDITEX'S CONTRIBUTION
	7.3	Inditex is committed to minimising the impact of its activity on the environment. As a result, we are doubling down on our commitment to different types of renewable energy, purchasing more of them for our facilities and fostering an efficient use. Work is ongoing to ensure that all Inditex stores worldwide are eco-efficient by 2020.
	9.4	The design of Inditex stores and offices enables the company to reduce environmental impact. By incorporating the most innovative technologies, it can improve efficiency and reduce consumption and the associated greenhouse gas emissions.
	12.2	The Inditex <i>Closing the Loop</i> Programme helps us close our clothing production cycle by installing clothes collection containers. We also aim to achieve <i>Zero Landfill Waste</i> by 2025. Along these lines, during 2018 we partnered with the Ellen MacArthur Foundation so that all the plastic we use in our business can be reused or recycled.
	12.4	
	12.5	
	13.1	During 2018 we signed the <i>Fashion Industry Charter for Climate Action</i> , sponsored by the United Nations Climate Change Office, to reduce GHG emissions by 30% by 2030.

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

## R&D INDICATORS – CIRCULARITY AND EFFICIENT USE OF RESOURCES

	<p>During 2018, Inditex invested more than 1.6 million euros in applied research related to circular economy and to the conversion of waste into raw materials. Among the various R&amp;D initiatives (Research &amp; Development), the following processes stand out: studies for the conversion of inorganic waste from fishing ports into raw materials for textile use, the development of technologically viable processes for the transformation of footwear waste into resources for industrial application, and research for the reuse of water in staining processes. At the same time, R&amp;D activities aiming at improving energy efficiency and reducing GHG emissions along the value chain are also carried out and promoted.</p> <p> More information on R&amp;D projects is available on pages 175 and 188 of this Annual Report.</p>	
	<b>Investment earmarked to R&amp;D</b>	€ 7,513,365

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.

## Towards a circular economy

Inditex understands that progressing in a sustainable business model implies using resources more efficiently. Our three environmental strategies (Energy, Water and Biodiversity) articulate our efforts to achieve environmental excellence.

At the same time, we are investing in a comprehensive improvement of the management of materials needed for our products and industrial processes. We aim to transform the concept of waste, so that it is considered a valuable resource that can be recovered and reintroduced as raw material into the production systems. Additionally, by applying eco-design techniques, it is possible to extend the useful life of products and materials, as well as to maximize their recycling potential to address waste generation at its source.

This paradigm shift, which is generically called Circular Economy, is evident in Inditex through the different global initiatives aiming to close the life cycle of our clothing and the materials we use in our business.

Efficient use of resources does not only apply to our products, but it is also a guiding principle behind our facilities: offices, stores and logistics centres. To make it a reality, we have set several goals for ourselves, such as decoupling company growth from energy consumption and GHG emissions, and investing in renewable energies and in shipping efficiency.

It is worth mentioning that, at the end of 2018, we signed the *Fashion Industry Charter for Climate Action*, sponsored by the United Nations Climate Change Office, which sets an initial target of reducing GHG emissions by 30% by 2030.



Our Energy, Water and Biodiversity strategies articulate all our efforts to ensure the environmental sustainability of our business.

## Inditex, in the main sustainability indicators

- After evaluating more than 5,600 companies each year, **CDP (Carbon Disclosure Project)** assigns us a leading position in its Climate Change environmental assessment system. This organisation commends our GHG emissions management goals and our practices in terms of identifying and managing risks and opportunities related to climate change. In this regard, CDP underlines how we integrate climate change into the management of our business and how we interact with our supply chain, among other issues.
- For the third consecutive year, the **Dow Jones Sustainability Index** has recognized Inditex as the most sustainable retail company. Their classification gives us 68 out of 100 points, surpassing the average score of the sector by 45 points and reaching the highest rating in Management Systems and Environmental Policy.
- Finally, we are 54th on the **Global 100 Most Sustainable Corporations** ranking published by Corporate Knights, which reviews economic, environmental, social and corporate governance indicators. This makes us the best positioned Spanish company included in this classification, surpassing three others.

## 1. Closing the Loop

### Closing the Loop, 2018

- Collection of **14,824 tonnes** of clothing, footwear and accessories.
- Present in **834 Zara stores** in 24 markets.
- **Pull&Bear, Bershka, Oysho and Tempe for&from** add up to a total of **524 stores** in Spain.
- **Zara Home, Stradivarius and Massimo Dutti** are running a **pilot in 24 stores** in Spain.
- Our commitment to the **Global Fashion Agenda** is extending this programme to **2,000 stores in 2020**.

Collect, Reuse and Recycle. These are the three pillars of our *Closing the Loop* Programme, which seeks to extend the useful life of textile products, encouraging their reuse and recycling. To do this, Inditex collaborates with different non-profit organisations, with companies that specialise in recycling and with specialists in different technologies to prevent used clothes from ending up in landfills.

Currently, *Closing the Loop* is being fully implemented in our headquarters and logistics centres, as well as in a total of 1,382 Inditex stores around the world. In this respect, the collection containers for clothing, footwear and accessories are present in 834 Zara stores in 24 markets: Spain, Portugal, United Kingdom, Denmark, Sweden, Ireland, Holland, Austria, France, Norway, Greece, Romania, Turkey, Colombia, Canada, United States, Mexico, China (including Hong Kong SAR and Macao SAR), Taiwan, Japan, Australia and Lebanon.





A total of 1,382 Inditex stores around the world now have containers for the collection of used clothes as part of the *Closing the Loop* Programme.

During fiscal year 2018, *Closing the Loop* was also implemented in the Spanish stores of other Group brands such as Pull&Bear, Bershka and Oysho, as well as in the *for&from* stores of Tempe, reaching a total of 524 stores. At the same time, we have launched a pilot programme with 24 Massimo Dutti, Stradivarius and Zara Home stores in Spain.

*Closing the Loop* is also available to Zara's online customers in Spain and China (only in the cities of Beijing and Shanghai). In collaboration with Caritas, a total of 1,856 containers for the collection of textile products have also been made available to the public in the streets of Spain.

We intend to continue to expand this programme to new markets and brands. In this context, we have made a commitment to the *Global Fashion Agenda*, a project that will be operational in 2,000 stores by 2020 through agreements for collaboration with 40 organisations.

Thanks to *Closing the Loop*, our customers have donated more than 684 tonnes of clothing, footwear and accessories in our stores and corporate headquarters since 2015. Of these, 86 tonnes have been donated through Zara.com's home collection option. To these are added 33,473 tonnes collected in the Spanish streets since the beginning of the programme.

For the management of donated items, we collaborate with social and Third Sector organisations. The collected clothing is donated to non-profit organisations such as Caritas, Red Cross, CEPF, Le Relais, Salvation Army or Redress, which sort them to give them the best possible destination. Thus, depending on their condition, the clothes are donated, repaired, recycled or sold to finance the social projects of these non-profit organisations.

At the same time, to close the cycle of the clothes that cannot be reused and of the remains derived from textile manufacturing, Inditex has joined forces with different companies and universities to promote

sustainable innovation and develop new materials and technologies that enable textile waste to be recycled.

In this sense, the collaboration with Austrian company Lenzing to convert this textile waste into a new material, Refibra™ Lyocell, that can be reused in our items is especially important. This year, we launched the campaign *Garments with a past* with Zara, which aims to raise environmental awareness with a sustainable fashion collection based on the principles of the Circular Economy. These new garments are made with recycled polyester and cotton obtained from their own production's cutting waste.

In addition, we collaborate with the Massachusetts Institute of Technology (MIT) through its MISTI (*International Science and Technology Initiatives*), as well as with several Spanish universities and Austrian company Lenzing, to advance textile recycling processes and technologies that contribute to the Circular Economy. By 2020, Inditex's investment in technology for textile recycling will have reached 3.5 million dollars, honouring our commitment to the Global Fashion Agenda. To this end, a total of 840,000 dollars has already been earmarked for textile recycling technologies this year in collaboration with MIT and Cáritas.

Thanks to this framework agreement, the Santiago de Compostela (USC), da Coruña (UDC), Autónoma de Madrid (UAM), Rey Juan Carlos (URJC) and Politécnica de Valencia (UPV) Universities have presented different projects to find innovative solutions around the concept of Circular Economy:

- Cellulose catalytic gasification.
- Multi-scale modelling and production of bio-materials for regeneration therapy (*silk-ceramic bone*).
- Plastic waste for alternative fuels.
- Adequate clothing for thermal control.
- Costs and consequences of the decarbonization of the automotive industry.

## R&D FOR CIRCULARITY



### COLLABORATION WITH ORGANISATIONS TO IMPROVE THE CIRCULARITY OF THE PRODUCT LIFE CYCLE

The conversion of waste into raw material is the main goal of the circular economy. The business models of the textile industry require the incorporation of new technologies in the manufacturing processes that enhance the role of waste as a new source of materials, responding to a demand from the environment (reduction in consumption) and from customers (products that are more environmentally responsible).

Apart from controlling the effects of its productive activity, Inditex extends its research activities to the complete life cycle of the product, aware that the use of its products generates waste in the use and disposal phase.

For this reason, we collaborate with prestigious Spanish and international universities, supporting their academic research and as scientific partners. Collaborative networks are therefore becoming more and more extensive and productive.

#### Minimization of microfibres in the washing process

##### POST-SALE

Inditex, together with the Universitat Politècnica de Catalunya, is carrying out a research on the microplastics coming from clothes washing waste water and found in marine ecosystems. The project focuses on minimizing the detachment of these particles (smaller than 5mm) from clothing, in order to prevent them from being deposited in the sea.



Reduced environmental impact of product use



#### Recycling of textile fibres

##### END OF PRODUCT USEFUL LIFE

Inditex is working with the Applied Physics Department of the University of Vigo on the design of a solvent chemical treatment capable of selecting fabric components and treating them to obtain a new fabric that can be used in the successive production phases.



Reduction of unusable waste at the end of the product life cycle



#### Product reuse

Inditex collaborates with the Fundación URV in the research of technologies that allow the integration of the discarded product in the production chain. In this way, the garments recovered at the end of their life cycle at the collection points can be reclassified as raw materials, after a phase of separation of components. The result is new, reused raw materials.



Better use of raw materials





## 2. Commitment to the decarbonization of our value chain

The Global Energy Strategy is one of the pillars of our commitment to environmental sustainability, aiming to promote the rational and efficient use of energy throughout the value chain while reducing GHG emissions and helping to mitigate their effects.

In 2018, 44.91% of our global electricity consumption came from renewable sources. In Spain, we use 481,658 MWh of electricity from renewable sources, which means that 100% of the energy in our stores and centres is generated in low-emission facilities. Worldwide, this figure is 837,626 MWh from renewable energy.

To achieve these figures, we have increased the purchase of certified renewable energy to a total of 837,050 MWh in our LEED stores and buildings located in Spain, Germany, Austria, Belgium, Brazil, France, Greece, Holland, Ireland, Luxembourg, Monaco, Poland, Portugal, United Kingdom, Turkey and Switzerland. As a result of the use of this certified renewable energy, we have avoided the emission of 274,554 tonnes of GHG. Thanks to this effort, the use of electricity from renewable sources in the Company's facilities has multiplied by almost 20 since 2014.

At the same time, we have created plans to replace air-conditioning equipment with more efficient Class A equipment in existing stores ensuring the absence of ozone-depleting gases and the reduction of GHG emissions. These eco-efficiency measures implemented in our stores achieve significant electricity savings. The main ones are produced in the air conditioning system, where we estimate average savings of 40%.

The combination of these actions to promote energy efficiency and the materialization of our commitment to renewable energies have enabled us to reduce GHG emissions in our business. In 2018, we have reduced relative emissions per square metre, in Scopes 1 and 2, by 2.52%.

In terms of distribution and logistics, we have improved the efficiency of our fleet with packaging optimization measures that reduce the indirect Scope 3 emissions associated with transport. In 2018, Scope 3 emissions associated with *Downstream* Transport (i.e., taking our products from logistics centres to our stores), have produced 926,764 tonnes of CO<sub>2</sub>eq. Meanwhile, those associated with *Upstream* Transport (i.e., moving our products from suppliers to our logistics centres) produced 676,642 tonnes of CO<sub>2</sub>eq. These emissions, which are equivalent to 4,263,677 MWh and 3,067,283

MWh of energy consumption, respectively, have experienced a slight increase in absolute terms due to the growth of the Company.

In 2018, indirect Scope 3 emissions of Inditex franchised stores have produced 129,710 tonnes of CO<sub>2</sub>eq, which is equivalent to an energy consumption of 238,176 MWh. The slight increase in GHG emissions compared to 2017 can be explained by the growth in the franchised commercial area.

### 2.1. Logistics centres, company factories and offices

In 2018, the global energy consumption of our corporate headquarters, company factories, logistics centres and stores worldwide was 1,969,127 MWh. Despite an increase of more than 200,000 square metres in facilities dedicated to central services, design and logistics, the energy saving measures implemented by Inditex have enabled us to reduce our energy consumption per square meter by 2.55% compared to 2017.

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In this sense, the commitment to renewable energies and the implementation of circular management models in our headquarters, logistics centres and company factories are the pillars of our Environmental Management System. This system is certified under the international standard ISO 14001. During fiscal year 2019, we plan to obtain the above certification for our new fabric warehouse located in A Laracha (A Coruña).

Furthermore, our Data Processing Centre, located in the central offices of Arteixo (A Coruña), is LEED Platinum and in 2018 it has maintained the international standard ISO 50001, which certifies its energy management and the most efficient, sustainable use of the energy consumed.

The Stradivarius headquarters, located in Cerdanyola (Barcelona), also received the LEED Gold award during the fiscal year. The LEED Gold certified Zara Logística

360° restaurant, located in Zara's logistics centre in Arteixo, has been recognized by *Slow Food* as a Km Zero restaurant, making it the first company canteen of this size in Europe to receive this award. The canteen,

which serves about 1,700 meals a day, buys 65 % of products from local suppliers, close to our headquarters in Arteixo (A Coruña).

## Fashion Industry Charter for Climate Action

At the end of 2018, we signed the *Fashion Industry Charter for Climate Action*, sponsored by the United Nations Climate Change Office and in line with the objectives of the Paris Agreement, which encourages the industry to achieve zero net emissions by 2050. The initial medium-term objective is to reduce GHG emissions by 30% by 2030.

Signatories commit to addressing decarbonization of the production phase, selection of sustainable materials and low-carbon transportation, to improving dialogue and consumer awareness, working with the financial and

political communities and applying scalable solutions, and to exploring circular business models.

Six working groups have been established to promote the implementation of measures such as the phasing out of coal boilers or other coal sources for heat and power generation for their own companies and direct suppliers by 2025.

Inditex maintains its commitment to make 80% of the energy consumed in all of its distribution centres, offices and stores renewable by 2025.





# Our offices

## Canteen

With a capacity for 660 people per shift in differentiated spaces, 12 self-checkout counters and eight menu areas, the building enhances the luminosity and warmth of its spaces with wood as the protagonist





## Central Building (auditorium and gymnasium)

With a capacity for 560 people, the auditorium has a screen of 17.7 x 5.8m, consisting of 493 LED modules.

On the ground floor is the gymnasium, which has an open-plan room for different uses (cardio, toning, functional training) and three activity rooms.



## New Arteixo Central Services office

Functionality and sustainability are the core of these 80,000 square meter facilities that we opened in June 2018. These three buildings are connected with the rest of the complex through walkways and their façades feature an interactive design of vertical slats and home automation that ensure energy efficiency.

The low water consumption vegetation is located in spaces that reuse rainwater. These measures, which will reduce electricity consumption by 45% and drinking water consumption by 30%, together with the use of recyclable local materials, make the building a candidate for LEED GOLD certification.



# 360° dining rooms



## Responsible Consumption

Responsible consumption of raw materials and supplies means working to increase the use of reusable products such as crockery, glassware and cutlery. The use of environmentally friendly cleaning products is also noteworthy.

## Local economy

With a local supply, we are promoting *Km Zero* products and sustainable job creation in the region. Currently 65% of all food provided in the canteen is *Km zero*.

## Efficient space

Efficiency in installations and integration of renewable energies in order for energy to produce no CO<sub>2</sub> emissions. LEED GOLD Certification.

## 360°

With an approximate capacity for 660 people per shift, it offers eight different dishes on the menu every day.

***Km Zero.*** We have developed and consolidated sustainable commercial relations with local producers for the daily supply of local seasonal products, favouring the recovery of indigenous varieties.



## 2.2. Eco-efficient stores

The Company's eco-efficient stores programme is one of the most visible aspects of its commitment to the efficient use of resources.

To ensure compliance with our efficiency and sustainability requirements, we have prepared our Eco-efficient Store Manual. This manual defines the technical requirements of Group store installations and systems, as well as the operations carried out in the stores. Thanks to these measures, electricity consumption is reduced by up to 20% and water consumption by up to 40% compared to a conventional store. All of Inditex's company stores must meet these requirements by 2020.

In 2018, we applied the Eco-efficient Store Manual standards to 426 stores, which makes a total of 5,494 eco-efficient stores representing 85.7% of the total number of our company stores.

Another one of our eco-efficient store's company operations is centralized control in real time. Thanks to the centralized EcoTool platform, the Company can monitor and act individually on the air-conditioning and electricity installations to optimize their management, identify inefficiencies and improve their maintenance. At the close of fiscal year 2018, 3,191 stores were connected to this system.

### Zara.com: How to also be sustainable online

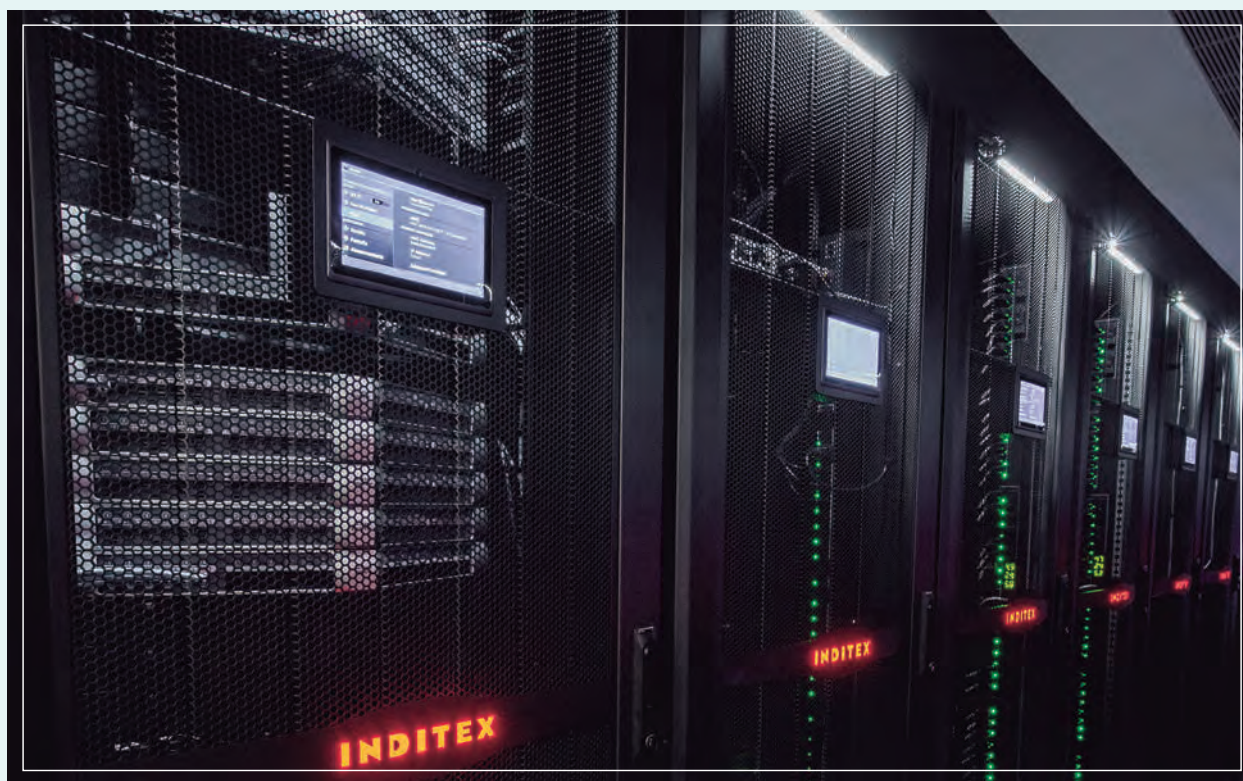


Photo: Servers in Inditex headquarters in Arteixo (A Coruña).

In parallel to its eco-efficient stores programme, Inditex works to make its online platforms increasingly more responsible and achieve the target of zero emissions.

The images and contents of our website are created in our offices in Arteixo and are stored in our Technology Centre. In addition to being 100% powered by renewable energy, this centre is certified as LEED Platinum by the U.S. organization Green Building Council.

To ensure that navigation on Zara.com is quick and easy, external servers are also used. In response to the growth of our website, now covering 202 markets, we have expanded the structure of our servers with technologies that improve energy efficiency, thanks to the use of more efficient power supplies or better heat dissipation systems. In addition, we continue to work so that our servers also use renewable energy. In 2018, more than 90% of the energy used by our servers came from renewable sources.

## Certified stores and offices

To ensure that our facilities meet the most advanced sustainable construction requirements, since 2009 we have been certifying our most emblematic facilities under the most prestigious standards of sustainable construction: LEED (*Leadership in Energy and Environmental Design*) and Breeam® (*Building Research Establishment Environmental Assessment Methodology*).

During this financial year, one of our Inditex Group offices and eight of our company stores around the world have received these distinctions, among them the Zara Kangnam store (Seoul), Massimo Dutti Colón (Valencia) and Uterqüe Serrano (Madrid), which was

awarded the LEED Platinum. In addition, the Zara Karl Johansgate (Oslo), Pull&Bear Preciados (Madrid) and Zara Home Paseo del Borne (Palma de Mallorca) stores as well as the Stradivarius headquarters in Cerdanyola (Barcelona) have been awarded the LEED Gold.

Thus, at the close of the financial year, Inditex has 38 of its own stores certified under sustainable construction standards LEED and Breeam: 27 of them with LEED Gold, 10 with LEED Platinum and one with Breeam. A total of ten distribution centres and corporate headquarters of the Group are also certified: one with LEED Platinum, eight with LEED Gold and one with Breeam.

### Certification of our facilities

#### EUROPE

Bershka, Colón, Valencia	●
Massimo Dutti Colón, Valencia	●
Massimo Dutti Serrano, Madrid	●
Uterqüe Serrano, Madrid	●
Zara Serrano, Madrid	●
CPD Inditex, Arteixo - A Coruña	●
Zara Paseo de la Castellana, Madrid	●
Zara Plaza de Cataluña, Barcelona	●
Zara Portal del Ángel, Barcelona	●
Zara Sánchez Brégua, A Coruña	●
Massimo Dutti Sant Feliu, Palma de Mallorca	●
Massimo Dutti Paseo del Borne, Palma de Mallorca	●
Oysho Diagonal, Barcelona	●
Oysho Paseo de Gracia, Barcelona	●
Pull&Bear Gran Vía, Madrid	●
Pull&Bear Preciados, Madrid	●
Pull&Bear office, Narón - A Coruña	●
Inditex office, Arteixo - A Coruña	●
Massimo Dutti office, Tordera - Barcelona	●
Massimo Dutti logistics centre, Tordera - Barcelona	●

Zara Cabanillas logistics centre, Guadalajara	●
Stradivarius office, Cerdanyola - Barcelona	●
Zara Logística 360° canteen, Arteixo - A Coruña	●
Oysho office, Tordera - Barcelona	●
Tempe office, Alicante	●
Bershka, Tauentzienstrasse, Berlin	●
Pull&Bear, Lijnbaan, Rotterdam	●
Zara Palacio Bocconi, Rome	●
Zara Park House, London	●
Zara Kalverstraat, Amsterdam	●
Zara, Place du Molard, Geneva	●
Oysho Galleria Colonna, Rome	●
Zara, Champs Élysées, Paris	●
Zara Haas Haus, Vienna	●
Zara Home, Champs Élysées, Paris	●
Zara Home, Fürstenfelder, Munich	●
Massimo Dutti, Paseo del Borne, Palma de Mallorca	●
Zara Opera, Paris	●
Zara, Rynek Glowny, Krakow	●
Zara Karl Johansgate, Oslo	●
Oysho Rivoli, Paris	●

#### ASIA AND REST OF THE WORLD

Zara Kangnam, Seoul	●
Zara Bourke, Melbourne	●
Zara Home The Place, Beijing	●
Zara Ismail Building, Mumbai	●
Zara Nanjing West Road, Shanghai	●

#### AMERICA

Zara Madero, Mexico	●
Zara Soho, New York	●

● Platinum ● Gold ● Breeam



# The eco-efficient store

## Access

The establishment, which becomes lighter as it moves from the oldest to the most recent area, has four entrances: one in Gran Vía, one in Astarloa and two in Gardoqui.

## Reform

The reform process includes the restoration of decorative elements in walls, beams, ceilings and floors, as well as the reconstruction of elements from the original building.

## Ground floor

With a length of 95 meters, this is the longest of Zara's street stores in the world.



### Lighting

Natural light comes in thanks to the original stained glass windows and the number of windows, some of them with microperforated metallic meshes that filters the light to increase eco-efficiency.

### Technology

The store has ultra-flat screens on all floors, as well as self-payment terminals, where customers can also make payments by mobile phone.

### Monitoring of installations

Our efficiency platform centrally monitors the store's air-conditioning and electricity installations in order to optimize consumption.

## Zara Gran Vía de Bilbao: an eco-efficient store and a unique project

With an area of almost 5,000 square meters on three floors for the Women's (ground floor), Men's (1st floor) and Children's (2nd floor) collections, this store is an example of the optimization of our commercial presence, with a commitment to differentiated establishments incorporating all the attributes of our comprehensive physical store and online model. It also introduces our most advanced concept of eco-efficiency, which manages to reduce electricity consumption by 20% and water consumption by 40% compared to conventional stores.

### 3. Sustainable logistics

The efficiency of Inditex's network of logistics centres is essential to being able to send our products to stores twice a week. Inditex also understands that optimum transport and packaging management is essential to making more efficient use of resources and thus reducing the emissions associated with our processes. In this respect, the commitment to sustainability and eco-efficiency has a positive impact also in our business.

#### 3.1. Planning and transport management

##### Efficiency measures and planning in 2018

- Improved return flows prevented **5,163 lorry trips**, saving **nine million kilometres** and their associated emissions.
- The **duo-trailer for the transport of national goods** has been introduced, which increases the volume of cargo by 100% compared to a conventional trailer.
- **Two routes with LNG** (Liquefied Natural Gas) trailers have been incorporated, which have travelled **410,000 kilometres** with the Group's goods.

Throughout the year, we have improved planning and transport and optimized loads, which has allowed us to reduce the number of vehicles travelling from our distribution centres in Spain to European destinations, avoiding 1,480 routes. As a result of this and other efficiency measures, we have achieved an estimated saving of 2.5 million kilometres, the equivalent of going around the Earth 60 times.

In addition, we have optimised distribution in Europe with reverse logistics, which centralises the return process and avoids empty space in transit vehicles. In 2018, this improvement in return flow saved a total of 5,163 lorry trips, nine million kilometres and their associated emissions.

One of the novelties in terms of transport this year was the implementation of the so-called duo-trailer, which began in August 2018, to provide Inditex's freight transport service with a national authorization. Thanks to this, 58,457 km have been covered since the start date with a lorry that increases the loading volume of a conventional trailer by 100%.

We also continue to use a fleet of six megatrucks on three routes (two in Spain and another connecting our logistics

centres with Morocco). These lorries can increase the volume by up to 50% compared with conventional ones, promoting efficiency in loading the lorries coming from the suppliers that serve the distribution centres, as well as the ones that supply the logistics platforms.

In addition, two routes with LNG (Liquefied Natural Gas) trailers were added during the year, which have travelled 410,000 kilometres with the Group's goods. The use of LNG reduces GHG emissions compared to the use of conventional fuels.

Finally, efforts to consolidate imported air and sea freight allowed us to save 66,905 land kilometres in Europe.

#### 3.2. Green to Pack Programme

##### Green to Pack, 2018

- **100% of Zara.com orders** are distributed in **recycled cardboard** boxes.
- **The outer plastic bag has been removed** from Zara.com shipments.
- Inditex recycles **10,000 tonnes** of its own cardboard for these boxes

*Green to Pack* is a programme based on the concept of circular economy, which prioritise the use of recycled materials for packing quality standards, extending their useful life and improving their subsequent recycling. This translates into savings in resource consumption and optimization of transport.

One of the goals of *Green to Pack* is improving the quality of the cardboard boxes that transport our clothing from the suppliers. Since the start of the project in 2016, 1,876 suppliers have joined *Green To Pack* and have acquired over 10,7 million certified boxes. Currently, all of our brands are part of the programme. This improvement entails, among other aspects, greater traceability of the materials used, fewer incidents originating from the boxes, as well as increased useful life of the boxes, which are used up to five times before being sent for recycling.

At the same time, we are working to recycle these boxes at the end of their useful life. This promotes the circularity of the materials, since this recycled cardboard is used to manufacture the boxes for Zara's online shipments.

This year in the *Zara Boxes with a Past* project, more than 10 thousand tonnes of cardboard came from Zara's own boxes.

Additionally, all the cardboard boxes in which Zara's online shipments travel are 100% recycled and the protective outer bag has been eliminated. The elimination of the outer plastic bag is currently being implemented by most of our brands, such as Pull&Bear, Uterqüe, Bershka, Massimo Dutti, Stradivarius and Oysho.

In addition, Zara has approved the elimination of plastic sales bags in 2019, while the rest of the Group's brands that use plastic bags comply with current regulations, by introducing 70% recycled material and a thickness equal to or greater than 50 microns in the bags.

Furthermore, we have continued to improve the density of our shipments, which translates into savings in the consumption of resources and an optimization of transport, thereby reducing associated CO<sub>2</sub> emissions. Specifically, we have unified the type of footwear packaging boxes, reduced the number of cardboard covers in shipments to stores and reduced the amount of cardboard in lingerie supports.

In line with the projects we have promoted to reduce plastics, we have incorporated recycled content and innovation so that these plastics are reintroduced into the circuit, and we have signed the *New Plastics Global Economy Commitment*, promoted by the Ellen MacArthur Foundation in collaboration with the United Nations Environment.

### 3.3. Zero Waste Programme

#### Zero Waste, 2018

- 88% of our waste has been sent for reuse and recycling.
- Participation in high-level initiatives such as ***R2π The route to circular economy*** and ***Make Fashion Circular*** of the Ellen MacArthur Foundation.
- We reused **120 million hangers** and recirculated **1,201 million alarms**.

Through the *Zero Waste* Programme, one of the pillars to integrate the concept of circular economy into our business model, we work to ensure that by 2025 our business waste does not end up in a landfill.

The correct classification of waste in our facilities so that it can be converted into material resources is the primary goal of *Zero Waste*. To this end, we have developed internal regulations and devices that optimize the sorting and compaction of these materials and reduce the GHG emissions associated with their transport.

The materials generated in our Company's logistics centres and factories (mainly paper, cardboard, wood, plastics, metal and textile waste) are channelled through our proprietary sorting systems. They are then collected and treated by legally authorized operators, which encourages their recycling or recovery. During 2018, 88% of our waste was sent for reuse and recycling through the aforementioned circuits, thus avoiding the use of virgin raw material.

At the same time, we collaborate with waste management companies to find new solutions. Thanks to this joint effort we have developed mechanisms to use our own materials in subsequent activities, such as the inclusion of cardboard from our own facilities in Zara.com's online boxes and plastic in consumables from our primary packaging and logistics system.

To achieve our objectives we have participated in high level events and initiatives related to the concept of circular economy, such as the working group *R2π The route to circular economy* and *Make Fashion Circular* of the Ellen MacArthur Foundation.

We are currently integrating our logistics centres and online distribution centres into our material collection monitoring system in order to carry out a comprehensive analysis of our performance in terms of the project's final goal.

Through this programme, Inditex also promotes the reuse and recycling of other materials: in 2018, 120 million hangers were reused and 1,201 million alarms were recirculated.



## R&D AND THE EFFICIENT RESOURCE MANAGEMENT



### COLLABORATIONS AIMED AT REDUCING THE ENVIRONMENTAL IMPACT OF INDITEX

Beyond the processes directly related to our fashion design and distribution activities, we work proactively in other areas in order to reduce the environmental impact that our presence in and interaction with the environment may cause.

In this way, we develop research projects that study the different possibilities of the circularity of materials. Through them, we aspire to find innovative solutions with minor impacts on the natural environment.

**Inditex allocated more than €700,000 to the promotion of these research projects**



#### COLLABORATION BETWEEN PRIVATE ORGANISATIONS

Inditex's collaborative networks also extend to the business sector, with research groups that provide this sector with knowledge for the improvement of production and logistics management systems.

In 2017 and 2018, we worked with Naturgy and Verde Cosmopolita, a private innovation centre, on the creation of a Sustainable Light Rail (TLS by its Spanish initials). The aim of the project is to promote the use of a purely electric and efficient means of transport for access to distribution and collection areas.

The TLS provides a more efficient use of material resources (fuels and delivery time), thereby reducing the environmental costs of its activity.



#### RECOVERY OF ORGANIC WASTE FROM THE ARTEIXO CANTEEN

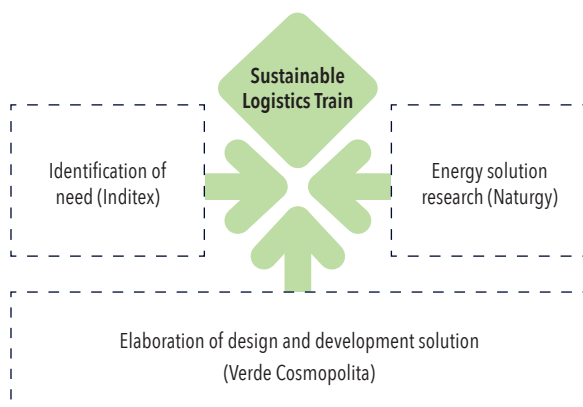
The number of employees at Inditex's headquarters makes corporate canteens a focal point of generation of relevant organic waste. Our workers separate the remains of food into three groups in the enabled containers: the remains still edible, which are donated to an animal protection association; the non-edible remains that can still be converted into fertilizers, which are donated to a local ecological greenhouse; and those that cannot be reused through these channels, which are converted into biogas.



#### ML-STYLE: MARINE LITTER REDUCTION

This two-year project, developed in collaboration with two port authorities from Galicia, the Centro Tecnológico del Mar (Cetmar), and two technical consulting firms, is working towards the following goals:

- Designing an integral management system for inorganic waste in fishing ports
- Reducing marine litter
- Studying the possible utilization of recovered materials for fibres and fabrics manufacture



## 4. Commitment with China



ALMOST 600  
ECO-EFFICIENT  
STORES



CONTAINERS  
IN 178 STORES



COLLECTION OF  
1,100 TONNES OF  
WASTE



PROGRESS OF THE  
BOXES WITH A  
PAST PROGRAMME

As part of the 2016-2020 Strategic Environmental Plan, we have launched a specific Action Plan that redoubles our commitment to sustainability in China. In this sense, we have successfully completed the commitment we made in 2015 to implement the eco-efficient store model in 2018, two years earlier than for other markets.

Thus, this year China has become Inditex's leading market with 100% of its stores being eco-efficient. Thanks to the implemented measures, more than 35,000 tonnes of GHG emissions have been avoided.

During 2018 we have advanced the *Closing the Loop* Programme. In collaborating with the *China Environmental Protection Foundation* (CEPF), we have placed containers for the collection of used clothes in all our Zara stores. The programme is also implemented in Hong Kong SAR and Macao SAR together with the Redress organisation. Taiwanese customers can give their clothes a new life thanks to our collaboration with EDEN. At the same time, we have also worked on the development of the *Closing the Loop* Programme for Zara's online customers in Beijing and Shanghai.

In addition, we have worked intensely on our commitment to *Zero Waste to Landfill* by 2025. To do this, in 2018, work began on implementing a system to standardize the sorting and collection of waste generated in Inditex stores and offices, as well as in the logistics centres, warehouses and re-operation plants of the Company's main suppliers in the region. More than 1,100 tonnes of waste, out of which more than 64% was cardboard, have also been collected.

Thanks to the implementation of this system, the Company has also increased the life cycle of plastic bags, hangers and boxes, making cardboard waste part of online shipping boxes from Zara.com, within the *Boxes with a Past* Programme.

Finally, we have continued working as advisory members of the *China Council for International Cooperation on Environment and Development* (CCICED) for 2017-2022, with the aim of sharing good practices and recommendations around the circularity and the efficient use of resources.



## 5. Employee Training

As part of our commitment to the environment and the efficient use of resources, we conduct environmental awareness training and sustainable management workshops for our employees from the moment they join us.

In 2018 we developed new environmental training contents and methodologies specific to our groups. The contents deal with our strategy, the knowledge of our products and the most sustainable raw materials, and the management and sorting of waste.

A total of 11,721 employees have received environmental training since 2014. In this regard, we have trained 2,810 employees from 12 markets in Seedtraining, with the aim of building a common language around sustainability, familiarizing employees with the Group's Environmental Sustainability Strategy, presenting the Handbook on Good Environmental Practices in the office and involving and motivating all employees to act. More than 220 people—

mainly from sales and design teams—have also been trained in the most sustainable raw materials and the most efficient processes used in the manufacture of Inditex's Join Life garments.

On the other hand, honouring the commitment we made in 2018 to the *Global Fashion Agenda*, which stipulates that all our designers will be trained in circular economy by 2020, we have designed a roadmap for this learning process. This plan begins with an online course for all the Group's designers, which addresses the conceptual framework and the main circular design strategies: incorporation of recycled materials, design for recyclability and design for product durability.

In addition, we promoted actions for waste reduction at source and material recycling improvement through training programmes. In 2018, we trained 1,381 workers in waste management.

### Environmental training for store employees: *Earth Hour Selfie Competition*



On March 24, millions of people around the world remember the importance of saving energy in the fight against climate change through Earth Hour, a global action coordinated by WWF.

Within the framework of this initiative, in 2018 we presented the *Earth Hour Selfie* competition. In it,



we invited employees from 24 markets to tell us through a photograph what they do to take care of the environment. The winners, Bibiane (Holland), Verónica (Spain) and Johann (Mexico), visited Inditex's office in Arteixo, where they received full environmental training and had the opportunity to learn first-hand about the Group's actions and policies in this area.



