











Environmental Management of the Supply Chain

| SDG | Goals | Inditex contribution |
|---|--------------|--|
|  | 6.3 | At Inditex we are aware of the impact the textile industry has on water consumption. For this reason, we devote major efforts and resources to ensuring the compliance, improvement and strengthening of the environmental commitments of our supply chain and to achieve Zero Discharge of Hazardous Chemicals (ZDHC Commitment) in 2020. |
|  | 9.4 | The <i>Ready to Manufacture</i> and <i>Green to Wear</i> programmes ensure compliance with our environmental and product health and safety standards during their production with a reduced consumption of energy, water and chemical products. We have merged these two programmes into the GtW 2.0, enabling us to continue to progress in improving the facilities in the supply chain and achieving our goals within the Greenpeace <i>Clean Factory Approach</i> . |
|  | 12.2 12.4 | Through the <i>Green to Wear</i> programme, we encourage sustainable environmental behaviour in our supply chain; we foster the best practices in manufacturing; and we encourage efficiency of resources and reducing and correctly managing waste. |
|  | 13.1 | We are committed to stop climate change and to reducing the impact on natural resources. In pursuit of this goal, we have an environmental sustainability strategy based on quality assurance and improvement throughout our supply chain. Furthermore, in 2019 we became one of the founding members of the <i>Fashion Pact</i> , designed to drive environmental sustainability in the textile and fashion industries, the main lines of action of which include the fight to stop climate change, in addition to other aspects. |

 More information on pages 328 and 329 of this Annual Report.

| |  |  |  |  |  |  |
|--|---|---|---|---|---|---|
| FACILITIES USED WHEN MANUFACTURING A GARMENT | SPINNING | WEAVING | DYEING | PRINTING | WASHING/FINISHING | SEWING |
| APPLICATION OF OUR PROGRAMMES | THE LIST, BY INDITEX | THE LIST, BY INDITEX | THE LIST, BY INDITEX RCA GTW 2.0 + (GTW+RTM) | THE LIST, BY INDITEX RCA GTW 2.0 + (GTW+RTM) | THE LIST, BY INDITEX RCA GTW 2.0 + (GTW+RTM) | THE LIST, BY INDITEX PICKING RCA |

At Inditex we are committed to stop climate change and to reducing the pressure on natural resources. To do so, we have an environmental sustainability strategy in place based on the control and improvement of quality throughout the production chain, ensuring that all our items meet the exacting health, safety and environmental sustainability standards.

We have also developed the programmes *The List*, by Inditex and *Ready to Manufacture* for the improvement and supervision of chemical products used in the industry

as well as the facilities where the items are manufactured. In both instances, the programmes are trailblazers in gaining a better understanding both of the substances present in production, and the commercial chemical products used in manufacturing.

By implementing them throughout our supply chain and in the chemical industry that manufactures dyes, pigments and ancillary chemicals, we also strive to comply with Greenpeace's *Clean Factory Approach*.

01/ The List, by Inditex

23,373 CHEMICAL PRODUCTS REGULATED IN THE IV EDITION OF THE PROGRAMME

In 2013, we designed and implemented *The List, by Inditex*, a pioneering programme in the textile and leather industry, which seeks to improve, with the involvement of the chemical industry, the quality of the chemical products used when manufacturing items.

The List, by Inditex ensures compliance with the chemical restrictions covered under the product health standard *Clear to Wear* and the commitment of Inditex to achieve the *Zero Discharge of Hazardous Chemicals* in 2020 (also known as *Zero Discharge* or the *ZDHC Commitment*).

By conducting a thorough assessment of the manufacturers and the chemical substances they use, *The List, by Inditex* classifies the chemical products pursuant to their degree of compliance with the *Clear to Wear* standard and *Zero Discharge*.

Likewise, work is also done to perfect the existing production processes, as this has a direct impact on the improvement of chemical products. Where such an improvement cannot be achieved, R+D programmes are defined to create new chemical products, alternative to the existing ones.

Similarly, we promote the assessment and promotion of chemical products included on *The List, by Inditex* which, as well as being safe, provide advantages in environmental sustainability and water and/or energy savings in the production process. We also strive to boost products that make it possible to extend the useful life of the item or the productivity of the facility that uses them.

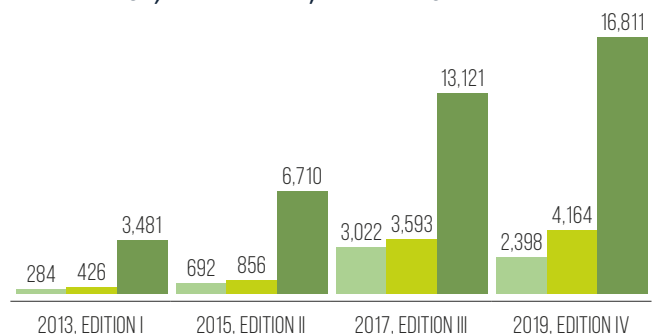
The List, by Inditex in 2019

- We conducted 17,641 analyses, enabling the classification of 27,756 chemical products sold by 26 manufacturers.
- We published the IV Edition of *The List, by Inditex*, available on our corporate website, with a total of 23,373 chemical products classified and sold by 24 manufacturers.
- As a result of our collaboration with the organisation ZDHC (*Zero Discharge of Hazardous Chemicals*), the classification of chemical products laid down by *The List, by Inditex* will be made available on the ZDHC Platform (ZDHC Gateway) in 2020.

Changes in the main indicators of the programme *The List, by Inditex* by published edition:

| | 1ST EDITION | 2ND EDITION | 3RD EDITION | 4TH EDITION |
|---|-------------|-------------|-------------|-------------|
| Manufacturers | 10 | 15 | 22 | 24 |
| No. of manufacturer requests (acceptance %) | 10 (100 %) | 5 (100 %) | 78 (13 %) | 98 (4 %) |
| No. of chemical products classified | 4,191 | 8,258 | 19,736 | 23,373 |
| No. of analyses | 1,774 | 8,289 | 34,605 | 83,257 |

CHANGES IN THE SUBSTANCES REGULATED BY THE LIST, BY INDITEX, BY EDITION ⁽¹⁾



- **Chemical products "A":** Their use is permitted in Inditex production with no further analysis by the institutions that use them.
- **Chemical products "B":** The use of these products in the Inditex supply chain is subject to further analyses during production, as laid down in the *Ready to Manufacture* code.
- **Chemical products "C":** The use of these chemical products is prohibited in Inditex production.



Our commitment: Zero Discharge Commitment and implementation of the best wet processes throughout the supply chain in 2020.

02/ Ready to Manufacture

MORE THAN 800 SUPPLIERS INVOLVED AND 1,373 AUDITS OF WET PROCESS FACILITIES

In 2013 we designed and implemented *Ready to Manufacture* (RtM), a benchmark programme in the textile and leather sector that – through the direct involvement of the supply chain – seeks to improve manufacturing practices at the facilities where the items are produced. In the same way as *The List, by Inditex* in terms of the classification of chemical substances, the goal of *Ready to Manufacture* is to oversee compliance with the *Clear to Wear* standard and *Zero Discharge* in 2020.

RtM includes a code of best practices for the production of textile and leather items, applicable at wet processes facilities (dyeing, washing, printing and tanneries) across the suppliers' production chain. It also has a unit of technological experts who assist with the appropriate implementation of the programme, through recurring training and audits.

Specifically, these audits also serve to verify that the facility correctly selects chemical products. This makes *The List, by Inditex* a tool that is directly linked to the *Ready to Manufacture* code. Since 2015, RtM has achieved an overall improvement of 73% at wet process facilities compared to their initial audit.

During 2019, *Ready to Manufacture* has been merged with our environmental standard *Green to Wear*. As a result, the new standard *Green to Wear 2.0* (GtW 2.0) was created and published on our corporate website, to strengthen the sustainable management of chemical substances in the supply chain and to ensure its commitment within our Sustainability Roadmap.



More information about *Green to Wear 2.0* and *Ready to Manufacture* on pages 148 and 149 of this Annual Report.

In 2019, and using the previous methodology, a total of 1,373 audits¹ have been conducted on wet process facilities associated with 844 suppliers.



More information about the *Ready to Manufacture* audits by process type and geographic location in the Annex on Model Sustainability Indicators, on pages 322 and 323 of this Annual Report.

03/ Water management throughout the supply chain

At Inditex we are aware of the impact the textile industry has on water consumption. Our supply chain uses water in the farming of cotton and other fibres, as well as in the wet processes to manufacture garments (washing, dyeing, and printing). Therefore, we devote major efforts to guaranteeing the compliance, improvement and strengthening of the environmental commitments of our supply chain.

03.01/ Commitment to Zero Discharge: *Green to Wear*

The axis of water management in our supply chain is our own standard *Green to Wear*, with which we are progressing in our ZDHC Commitment for 2020. This standard seeks to reduce the environmental impact of textile production and to improve the health and safety of the items and the workers on the supply chain involved in their production.

The wet process facilities we work with, are assessed according to the *Green to Wear* standard, which includes indicators that assess the sustainable and efficient management in areas such as raw materials, water, technology and processes, chemical products, waste and wastewater. Since its launch in 2014, 1,776 environmental assessments have been performed.

These assessments give rise to improvement actions, boosting the progress of the environmental management of these production facilities and enhancing environmental sustainability. In this way, during 2019, 136 corrective plans have been successfully assessed at our suppliers' plants. Along these lines, and in pursuit of greater transparency, we have made available to the public at large, through our corporate website, the list of factories that carry out wet processes and which form part of our supply chain.

The merger in 2019 of *Ready to Manufacture* and *Green to Wear*, the two core programmes in the sustainable management of wet process facilities, has enabled us to launch the standard *Green to Wear 2.0* (GtW 2.0) at the start of 2020. The new standard, also available on our corporate website, enables a more comprehensive control of the

(1) The difference in audits compared to the previous year is due to the change of strategy – addition of the Ready to Manufacture audits to the Green to Wear standard. This means that the programme was only in force in the first eight months of 2019.

facilities in the supply chain and compliance with the goals linked to Greenpeace's *Clean Factory Approach*.



More information about *Green to Wear 2.0* and *Ready to Manufacture* on pages 148 and 149 of this Annual Report.

In parallel, and to ensure our ZDHC Commitment has the maximum guarantees as regards the responsible use of chemical substances, in 2016, we launched a multidisciplinary applied research programme in partnership with academic institutions and research centres of international standing. The goal is to develop tools and techniques that ensure that hazardous substances in the textile and leather industry are eradicated.

Significant progress has been made in 2019 – within the framework of this initiative – to create the first inventory of chemical substances of the textile and leather industry, benchmarking has been completed, and the existing scientific literature has been integrated in order to determine the risk of the identified chemical substances. Experimental measurements and computational methods have also been developed, making it possible to identify the risks not set out in the scientific literature.

Our commitment to *Zero Discharge* has also been backed by Greenpeace, which deems us to be *leaders* in its *Detox Catwalk*, the assessment used by the organisation to measure the compliance of the commitments of textile brands with its campaign *Detox 2020*. The latest edition of its *Destination Zero* report, published in 2018, recognises us as “leaders in this paradigm shift” and highlights that “Inditex has taken tangible steps to meet its *Detox* commitment, having already eliminated PFCs from all its clothing, footwear and accessories and informing its

suppliers of its intention to eliminate APEOs and phthalates from its global supply chain”.

Collaboration with ZDHC and the Chinese Institute of Public and Environmental Affairs (IPE)

Beyond compliance with the *Zero Discharge* commitment, we partner with ZDHC (its promoting organisation) supporting initiatives such as the ZDHC Platform, to help our suppliers to disclose the results of wastewater analyses obtained from environmental assessments of wet processes of the *Green to Wear* standard.

Our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE) in the improvement of environmental management in the Asian country's supply chain and the publication of the results of wastewater analyses on its website is also very important. In 2019 we included over 150 textile suppliers in the IPE green supply chain roadmap, where the environmental data of the facilities are made public in real time. These actions have resulted in us being among the *top 5* (out of a total of 438 brands) in its *Corporate Information Transparency Index* (CITI).

In addition, we have invested more effort in the environmental management of the supply chain beyond textile facilities, having included upstream suppliers such as chemical product suppliers and centralised effluent treatment plants.

As well as the aforementioned commitments regarding transparency, we have a *PFC Free Policy* in place that all our suppliers must observe and which requires these compounds to be eliminated from our garments.

