

# Sustainability of our products

# 3.3. Sustainability of our products

RELATED MATERIAL TOPICS:

PRODUCT SUSTAINABILITY;  
ENVIRONMENTAL FOOTPRINT MINIMISATION;  
PROTECTION OF NATURAL RESOURCES;  
STAKEHOLDER ENGAGEMENT



## 3.3.1. Design

Placing a new garment on the market involves a design process and a manufacturing process. Inspiration and creativity are essential to design. In this regard, we consider that the choice of the different raw materials to manufacture an article and to improve its life cycle, either by providing greater durability or by facilitating its recyclability, has a major bearing on the design process.

### Training

Circularity means, particularly during the design phase, designing to reduce waste at every stage of development and extending the life cycle of a product. This enables better supply and choice of materials, promotes the care and repair of the product, and at the same time creates greater opportunities for reuse and recycling.

We have a **training programme** to help our designers further integrate circularity into their daily tasks. This training features different modules:

- Approach to sustainability
- Sustainable raw materials
- Sustainable wet processes
- Traceability tools and corporate systems
- Circular design by garment type

In 2020, we conducted scheduled training to ensure that our designers have been trained in the Principles of the Circular Economy, in line with the commitment we made to the *Global Fashion Agenda*.



*In 2020, we have fulfilled our commitment to train all the Group's designers in the Principles of the Circular Economy.*



*Sustainability is integrated into the very first stages of design of our products.*

## Article evaluation

The supervision of our articles and compliance with standards is a process that, at Inditex, is tackled from the design phase, since that is when decisions are made such as the choice of raw materials, of critical importance for subsequent stages of manufacturing. In this connection, and to ensure that our items are safe from the outset, we provide our suppliers with in-depth information on the design, the raw materials chosen (fabrics, sewing threads and interlinings) and the accessories (buttons, zips, and appliqués), as well as the manufacturing processes to be employed and the dimensions of cords or drawstrings, if applicable.

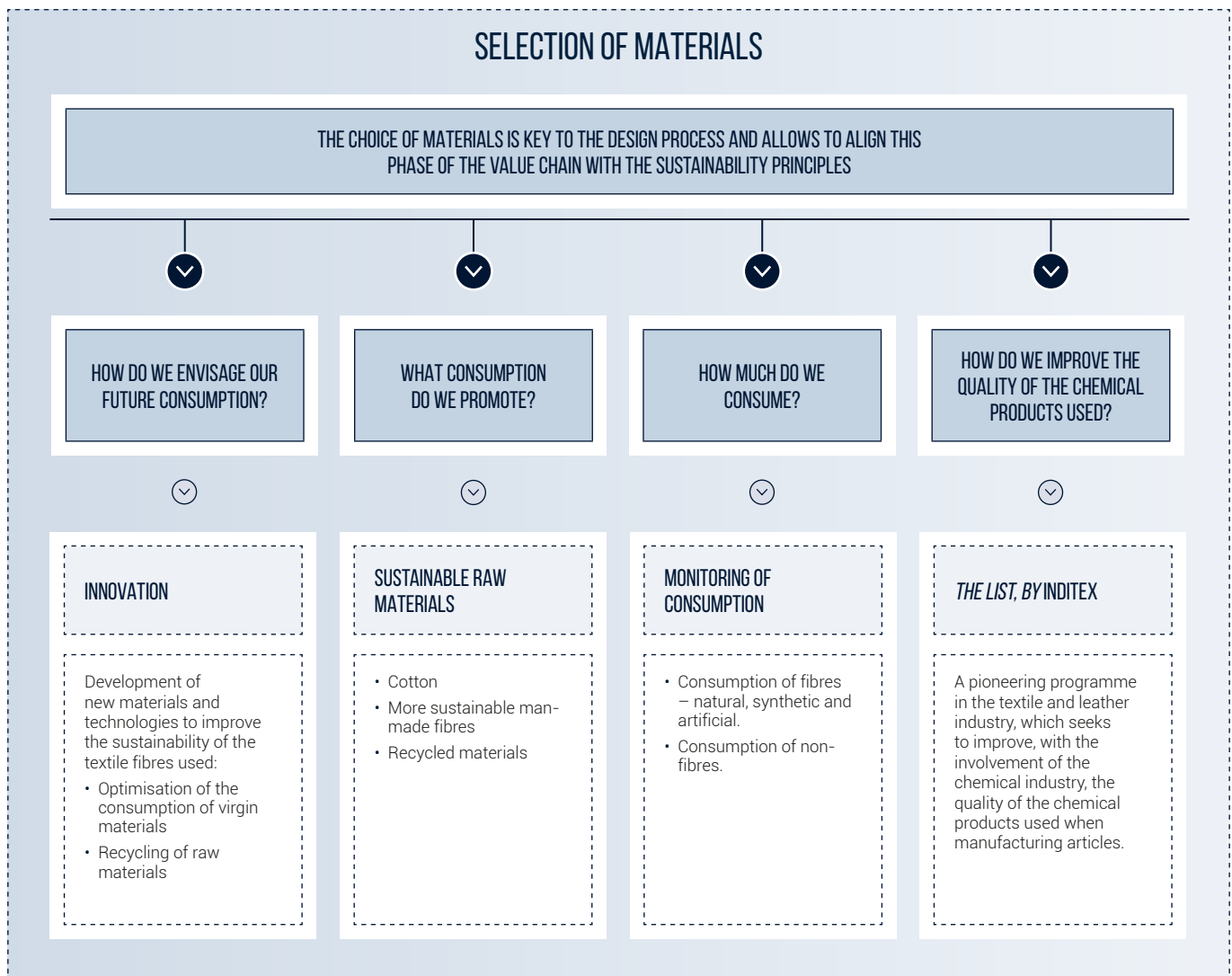
*i* More information about Health and Safety standards on paragraph 3.3.4. *Health and safety of our products* of this Annual Report.

## 3.3.2. Selection of materials

The selection of materials is a core element of the design process. In line with the principles of our Sustainability Policy and our Sustainability Roadmap, one of our priorities is to champion the use of more sustainable fibres that have a better environmental performance and involve more efficient consumption of resources.

Furthermore, our Biodiversity Strategy, which is based on the principles of the United Nations Convention on Biological Diversity, and the Forest Product Policy includes our commitment to forest ecosystem and nature conservation. We thus pay special attention to the raw materials we choose to make our products, as these decisions have a direct impact on biodiversity and the use of natural resources.

*i* More information in the chapter 3.1. *Minimising environmental impact across the value chain* of this Annual Report.



We are committed to ensuring 100% of the cotton, polyester and linen used in our products will be recycled or will come from more sustainable sources by 2025.

Our commitment in this area has enabled us to achieve the following results of tons of sustainable raw materials used for the garments made available for sale, with goals for 2025.

**THIS YEAR, WE HAVE CONTINUED TO WORK TO:**

**Increase the use of sustainable raw materials**, such as sustainable cotton and recycled fibres.

**Training our supply chain** to manage their resources responsibly.

Using sustainable sources in our **wooden furniture** and **paper products**.

RAW MATERIAL	2020 TONS	2019 TONS	2018 TONS	2020-2019 CHANGE (%)	2019-2018 CHANGE (%)
<b>MORE SUSTAINABLE COTTON (ORGANIC, BCI &amp; RECYCLED)</b>	73,874	38,676	18,851	91%	105%
<b>RECYCLED POLYESTER</b>	9,594	5,332	1,881	80%	183%
<b>SUSTAINABLE LINEN</b>	1,245	1,813	266	-31%	581%
<b>VISCOSE AND OTHER MORE SUSTAINABLE CELLULOSE FIBRES</b>	8,379	6,692	3,178	25%	111%

*The consumption of more sustainable raw materials represents 21% of the total consumption of raw materials in 2020.*



## a) Innovation

In order to advance in the fulfillment of the goals set, during 2020 we have continued to foster innovation in the development of new materials and technologies to improve the sustainability of the textile fibres used, focusing both on optimising the consumption of virgin materials and their subsequent recycling.

This year we have continued to promote various lines of collaboration, both with renowned academic institutions, as well as with local and international organisations, in the interest of advancing the sustainable development of the materials we use in our value chain.



### **Sustainability Innovation Hub**

Innovation is present from the very first moment our products are conceptualised, with special emphasis on the search for and continuous development of new raw materials and more sustainable fibres. In this respect, we have launched the Sustainable Innovation Hub initiative, which consists of an open innovation platform based on collaborative technological monitoring with the following key strategic areas:

- Raw material circularity
- Improving availability of sustainable raw materials
- Raw material traceability
- Renewable origin

- Development of new technologies and more sustainable materials that minimise the needs for water, energy and use of chemical products

This platform will allow us to select those initiatives of sufficient technological maturity to evaluate their effectiveness through pilot tests, in order to apply successful outcomes to the commercial phase and to the industry in general.

The platform was created to drive major relevant impacts on the Group's strategy on raw materials and/or circularity, assuming that it is required to comply with our sustainability commitments.



#### **CIRCULAR CARBON**

The purpose of the project, which is also based on the Sustainability Innovation Hub initiative, is to transform carbon emissions or different sources of carbon feedstock into a resource for the production of new fibres to be used in textile. The pressing aspect of climate change means it is vital to use new technologies in order to capture carbon emissions from industrial facilities, and syngas generated from any biomass resource (e.g. urban solid waste (USW)), organic industrial waste, agricultural waste and textile waste.

This initiative offers an opportunity to convert emissions into fibre, with a reduced carbon footprint thanks to the use of an alternative to fossil sources and directly participating in capturing emissions. The fibres researched are synthetic fibres such as PET and acetate fibres.

## b) Sustainable raw materials

### Cotton

Cotton is the most common raw material used to produce our garments. For this reason, we have decidedly committed to organically grown cotton, enabling us to improve our environmental performance, since it is grown with more sustainable practices and solely use non GMO (genetically modified organisms) seeds.

Our commitment is summarised as a collaboration with the most relevant international initiatives that foster the

sustainability of the cotton sector. Thus, we are members of the Textile Exchange, we partner with the Better Cotton Initiative (BCI) and we are one of the founders of the Organic Cotton Accelerator (OCA) initiative. Since 2017, we have also held a public-private partnership with the International Labour Organization to improve the working conditions of workers in the cotton supply chain.

*More information in paragraph 2.7.7. Protection of labour rights in the production of raw materials of this Annual Report.*



**Our goal: 100% sustainable cotton (organic, Better Cotton Initiative and recycled) in 2025.**

### FEATURED INITIATIVES



#### ORGANIC COTTON

Organic cotton is premised on the optimal use of natural resources, without using synthetic chemicals or genetically modified organisms (GMOs) and only uses natural fertilizers and pesticides. Using this type of cotton increases biodiversity and enables more fertile soils for future generations.

As members of the Textile Exchange, we partner with this independent and non-profit organisation, that is an international benchmark in the sector. It is a platform to promote the growing of organic cotton, and global sustainability within the textile sector.

Our goal: to promote organic cotton based on its environmental virtues, reaching the source of the fibre in our supply chain, and strengthening and guaranteeing its traceability through to our garments.

#### 2025 SUSTAINABLE COTTON CHALLENGE

In line with the goal of all the cotton we use in manufacturing our products coming from more sustainable sources by 2025, we have joined the Textile Exchange foundation's 2025 Sustainable Cotton Challenge.

#### BETTER COTTON INITIATIVE

We partner with the Better Cotton Initiative (BCI), which shares our holistic (environmental and social) approach to sustainability and through which we seek to foster a more sustainable cotton supply chain. This initiative develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector.

Within BCI, we are members of the Chain of Custody Advisory Group, a task force involved in driving chronological documentation and evidence tracing in order to track the movement of products throughout the supply chain. This guarantees that the BCI volume sought by retailers and members of the BCI brand does not exceed the volume produced by licensed farmers within a specific period.





#### INVESTMENT COMMITTEE OF THE ORGANIC COTTON ACCELERATOR (OCA)

We are one of the founding members of *Organic Cotton Accelerator (OCA)*, a multi-sectorial initiative that supports organic cotton producers to ensure the sustainable growth of the industry and that all players are benefited, from the grower to the end consumer.

In spite of the exceptional situation in 2020, we have increased the number of farmers involved in the different FED (Farmer Engagement and Development) Programme projects by 57%, reaching the direct collaboration figure of more than 9,300 small farmers. This collaboration and training initiatives on organic practices help preserve local biodiversity and encourage soil enrichment, eliminate pesticides and synthetic chemical fertilizers, and prevent the use of genetically modified seeds. Part of the goal of Inditex's approach is to promote the organic cotton sector, which currently accounts for less than 1% of global cotton production, and which can result in significant benefits such as:

- Increased organic matter of soil, due to organic pesticides and fertilizers, a higher diversity of seeds, as well as the rotation of crops that encourage organic practices.
- Improved water quality, with cleaner aquifers for farmers and their communities.
- Improved animal welfare, due to water and food that is free of synthetic elements. Furthermore, also noteworthy is the relevance of livestock as a generator of inputs necessary for organic practices.
- Greater economic stability and equity for farmers and their families.

This initiative has been propagated within the Group and various brands are participating in the project, producing their items using this raw material.

## More sustainable man-made fibres

Our commitment to forest protection is inseparable from our endeavours to guarantee the sustainability of our products and our business.

Lyocell, viscose and modal are classed among a group of fibres obtained from cellulose pulp from certain trees. In 2020, we subscribed a new commitment with CanopyStyle on the Next Generation of Viscose. Consequently, Inditex will only work with the best cellulose fibres (viscose, modal, lyocell) manufacturers that correspond to producers classified as "green shirts" in CanopyStyle's *Hot Button Report*. These manufacturers prove that their fibres do not pose a supply risk to primary or threatened forests.

In this regard, we have made a commitment, guaranteeing that, from 2020, all our cellulose fibres will come from sources that do not pose a risk to the planet's primary and threatened forests.

At present, over 300 brands are adhered to this initiative, thanks to which we have made the following achievements in 2020:

- 90% of the world's fibre production comes from manufacturers who are committed to eliminating the supply of materials from primary and protected forests and to advance in innovative solutions that reduce pressure on forests (89% and 72% of production in 2019 and 2018, respectively).
- 72% of the world's production comes from manufacturers who have completed the audit process (65% and 52% of the world's production in 2019 and 2018, respectively).
- 52% of the world's production is free from the risk of being supplied from primary and endangered forests (42% and 28% of the world's production in 2019 and 2018, respectively).

 **EXTERNAL RECOGNITIONS**

According to the study *Dirty Fashion: Crunch time* prepared by the *Changing Markets Foundation*, Inditex is included, for the third year in a row, in the frontrunner category in the retail industry thanks to its strong support of production and sale of responsible viscose. The latest release of this report, published in December 2020, assesses responsible production plans, commitments and progress in the transparency of 100 brands and retailers (91 in 2019) and the most relevant viscose manufacturers and initiatives, showing the point at which the world textile industry is in the transition to responsible viscose.



*In 2023, 100% of the cellulose fibres we use will be more sustainable, supporting the responsible viscose commitment by the Changing Markets organisation in its Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing.*

## Recycled materials

The production of recycled fabrics is more efficient in terms of consumption, since it requires less water, energy and natural resources than the production of new fibres, resulting in a reduced environmental impact.

As stated by Textile Exchange, recycling polyester and polyamide curtails the consumption of natural resources, since it is not necessary to extract oil to manufacture them, water consumption in obtaining them is low and a reduced amount of waste ends up in landfill.

The urge to incorporate recycled materials into our collections is reflected in their increased use.



*During 2020, we have launched into the market articles made with a total of 14,413 tons of recycled materials, which means an increase in the use of these materials of 90% over 2019.*

## Consumption of raw materials

In the context of the global consumption of raw materials, we have consumed hundreds of different types of raw materials during 2020. For information purposes, all these raw materials have been grouped, according to their origin, into two main categories: fibres and non-fibres.

PERCENTAGE OF RAW MATERIALS TOTAL CONSUMPTION

	2020	2019	2018
<b>FIBRES</b>	88%	89%	88%
<b>NON-FIBRES</b>	12%	11%	12%

Furthermore, the fibres category has been subdivided into three groups: natural fibres<sup>(1)</sup>, synthetic fibres<sup>(2)</sup> and lastly, man-made fibres<sup>(3)</sup>, the weight of which in terms of consumption has been as follows in 2020:

PERCENTAGE OF TOTAL FIBRE CONSUMPTION

	2020	2019	2018
<b>FIBRES</b>			
<b>NATURAL</b>	52%	50%	49%
<b>SYNTHETIC</b>	38%	38%	39%
<b>MAN-MADE</b>	10%	12%	12%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The "non-fibres" category includes many different raw materials from natural (vegetable, animal and mineral) and man-made sources, with scarcely any relative importance in the Group's overall consumption, thus, there is no individual breakdown.

(1) Natural fibres are natural filaments that can be threaded to obtain strands, threads or twine.  
 (2) Synthetic fibres are made of polymers that are not naturally produced, but fully created in a chemical plant or a laboratory, almost always using petroleum or natural gas by-products.  
 (3) Man-made fibres are made using a natural component as a raw material that undergoes a number of processes in a chemical plant or a laboratory.



## c) Raw material control

Once the raw material has been chosen, we verify – from the sourcing stage (in fabrics, leather, piping and appliqués, among others) – their compliance with our product health and safety standards. The dyeing, printing, and finishing are also verified.

In order to ensure the thorough inspection of the product in the initial phases of its cycle, we supplement the control of our Picking Programme with a network of internal control laboratories that conduct testing pursuant to the most-demanding international standards. These laboratories, thus, become an effective instrument to foresee possible breaches of our product health and safety standards – *Clear to Wear* and *Safe to Wear*.

We currently have an internal analytical structure with six laboratories and with the necessary technology to be able to analyse up to 18 substances and parameters regulated under the *Clear to Wear* and *Safe to Wear* standards. At these facilities we are also tasked with overseeing the conformity of fabrics with our standards' health, safety, and quality parameters.

 More information in paragraph 3.3.4. *Health and safety of our products* of this Annual Report.

### ***The List, by Inditex***

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 (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 the Zero Discharge commitment.

 More information in paragraph 3.4. *Sustainable management of the supply chain* of this Annual Report.

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.

In 2020 we made progress in **exploratory studies to add new substances not included in previous editions of *The List, by Inditex*** in the interests of broadening the scope of the programme **in response to our commitments in the Strategic Environmental Plan**. At present, the **IV edition of *The List by Inditex***, published in **2019, and regulating 23,373 chemical products, remains in force**.

We are currently working toward the convergence of the textile industry by partnering with other renowned international brands, retailers, and bodies. In this context, it is worth highlighting our partnership with the ZDHC Foundation, through the publication of the IV edition of *The List, by Inditex* on its platform (*ZDHC Gateway*). Accordingly, the project's visibility has now increased, since the ZDHC is a global platform to improve the management of chemical products in the facilities and afford greater transparency in the industry. At the same time, it has implied the ZDHC foundation's recognition of *The List, by Inditex* as the most stringent degree of compliance with ZDHC MRSL (level 3) limits, for the 3 certification categories included in *The List, by Inditex* (baby, direct contact with skin and all uses).

It is also worth highlighting the design and carrying out of application studies that reveal the relationship between content of restricted substances in chemical products and the content after its industrial application. These studies are vital to understanding the risks associated with the chemical product, as well as the manufacturing processes in which they are used, which boosts progress in their classification within our programme and strengthens our environmental commitment.

In parallel, following the same principles and methodology, *The List, by Inditex* has been developed for adhesives used in the footwear industry, premised on characterising products (adhesives and products related to their application) mainly used in this industry, which has approved the product portfolio of the two leading manufacturers of adhesive products for the footwear industry.

## The List adhesives in 2020

- Three new applications to be included in the programme.
- 3 audits and 4,940 analyses have been conducted, making it possible to classify 199 chemical products belonging to two manufacturers.

 The Appendices of this Annual Report contains additional information on the indicators of the various editions of The List.



## Research on chemical safety

**We collaborate in the development of pioneering research programmes, unprecedented in the sector, aimed to increase the knowledge about chemicals used throughout the supply chain and to improve the chemical safety assessment. Specifically, we innovate on the lines of data mining, chemical security measurements (In Vivo, In Vitro and In Silico) and standardisation, and we support scientific research in the area.**

In this connection, in partnership with *Universitat Pompeu-Fabra* and the University of Santiago de Compostela, we

have collaborated in the development of computational methods and tools to characterise chemical security in the chemicals used in the textile and leather industry. This project has involved building a database to facilitate access to the available information, a high-performance protocol to generate new experimental information and a predictive computational model to characterise the risk of different chemicals. The focus is to facilitate access to chemical safety information and obtain reliable estimates for chemicals for which information is not available, as well as to facilitate the replacement of chemicals with potentially harmful effects.

### 3.3.3. Join Life programme

Our *Join Life* label identifies the Group's garments made of the most sustainable raw materials and the most environmentally friendly production processes.

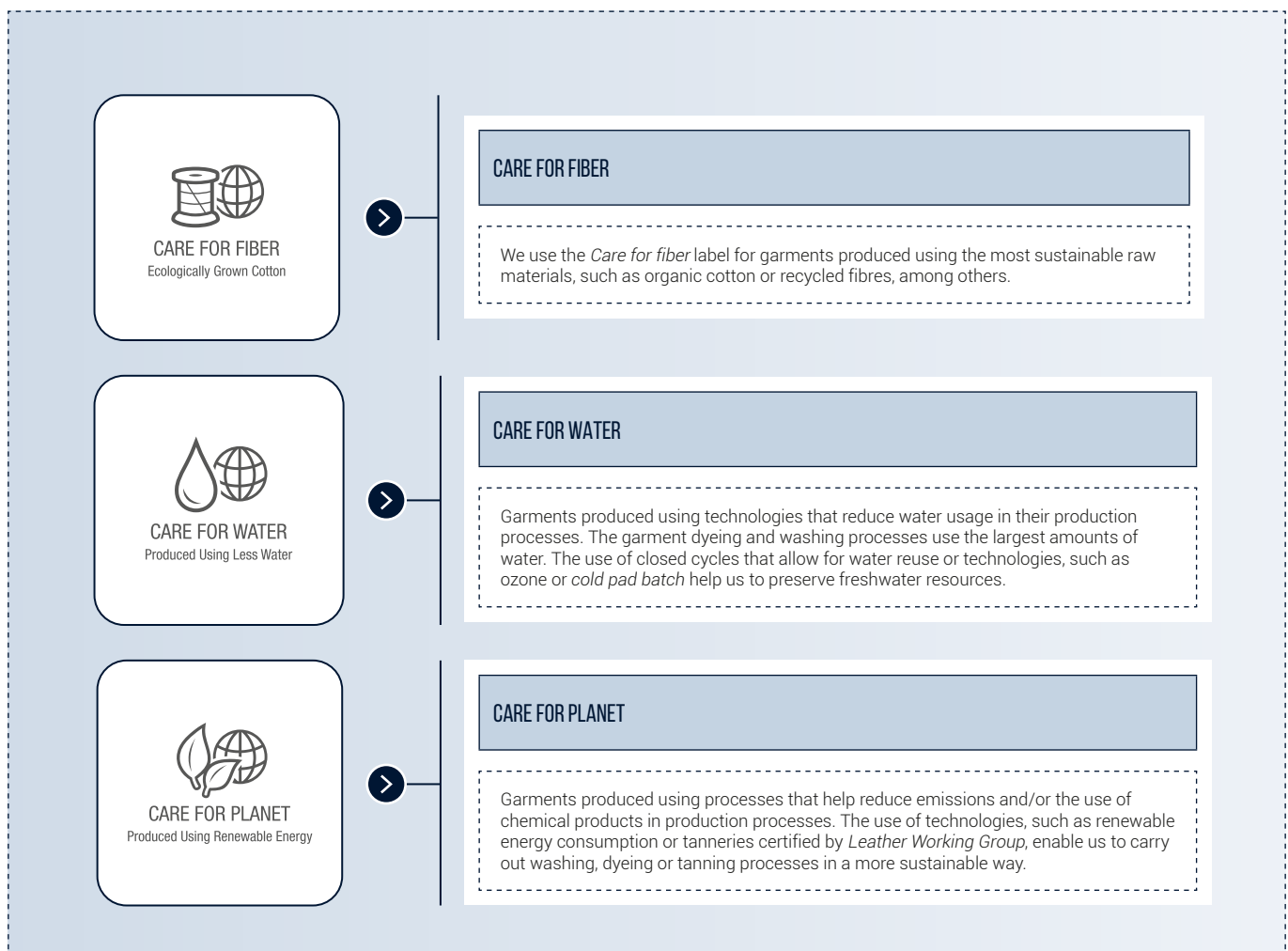
At Inditex, we strive to make our raw materials more environmentally friendly, using recycled materials and materials that are produced more sustainably. Under our *Join Life* standard, we classify all garments that have been produced using processes and raw materials that help us to curb our impact, such as organic cotton, man-made cellulose fibres and recycled polyester. What is more, this standard is based on the Life Cycle Analysis (LCA) methodology for assessing the environmental and social impact of the textile sector. This year, we have reviewed and improved the standard, making it more demanding, and more flexible labelling options have been provided; for instance, the combination of several more sustainable raw materials in a single product, the combination of different types of sustainable filling, and garments designed using different defective models (*Remade*).



*In 2020, we went beyond our commitment to reach 25% of garments placed on the market under the Join Life standard, manufacturing 38% of units under this label.*

All our *Join Life* garments are produced by suppliers classified with the best rankings (A or B) or those with a firm commitment to improvement by conducting a Corrective Action Plan, both on a social and an environmental level. They use raw materials and production processes that curb the environmental impact, fulfilling at least one of the following three requirements:

*i* More information about our assessment processes and Corrective Action Plans in the chapter 3.4. *Sustainable management of the supply chain* of this Annual Report.



In an ongoing monitoring process on the evolution of raw material standards, in 2020, we included *Join Life* feather/down (RDS), *Join Life* wool (RWS) and – particularly relevant for its ongoing evolution – the latest sustainable options of viscose, among others.

Since 2012, we have been members of the LWG (*Leather Working Group*), the leather industry's benchmark for the control of chemicals, effluents, traceability, animal care and transparency with regard to the supply chain of this material. We encourage our leather providers to join the LWG in all its categories, and more strictly, only those

members with the highest scores may be part of our *Join Life* programme. In 2020, we joined this association's Executive Committee in order to continue to work towards identifying and sharing the best practices in the leather industry, and to improving environmental performance and impact reduction.

Inditex is updating its *Join Life* initiative in relation to non-textile products. The procedure for Zara Home has been amended, with standard materials that can be used in its products to make them *Join Life* (ceramic, glass, or wood, among others).

### FEATURED INITIATIVES

#### TRAINING

During 2020, we have prepared training material on more sustainable raw materials, wet processes and tools to continue training our buyers, suppliers and brands. This training has been given to Zara's buyers, designers and other profiles, and also to various heads of *Join Life* in the brands in order to continue to train their teams throughout the year; i.e. a total of 2,016 employees. Training has also been given in local offices to a total of 200 employees, to enable them, in turn, to train suppliers.

#### SUSTAINABLE PRODUCT GUIDE

A sustainable product guide has been provided to buyers and suppliers using our internal information tool. This guide provides knowledge to stakeholders ranging from our social strategy to the classification of raw materials and wet processes. Furthermore, a *Join Life* manual has been developed for suppliers.

#### COMMERCIAL INITIATIVES

In 2020, we carried out a number of commercial initiatives where the design of collections was based on the selection of especially sustainable materials:

BRAND	COMMERCIAL INITIATIVE	LINE	ACTIONS
BERSHKA	<b>Hack Denim I and II</b>	A unique garment	Fully manufactured using old stock items. <i>Join Life RE-MADE</i> labelling.
	<b>B3 Collection</b>	Timeless and unisex line with high quality garments	Made from 100% organic cotton. Water consumption reduction technologies. <i>Care for Fiber</i> and <i>Care for Water</i> labelling.
OYSHO	<b>Join Life – Summer Collection</b>	Swimsuits, trikinis and bikinis	Garments composed of recycled materials. Recycled polyamide, carpets or production samples. And recycled polyester produced from recycling used plastic bottles.
ZARA	<b>Kids Perfume Join Life Cosmetics</b>	Line comprising five unisex fragrances	50% bioalcohol from organic crops. 100% recyclable bottle. <i>Packaging</i> comprising 100% recycled FSC certified paper and 30% recovered glass.
ZARA HOME	<b>Join Life Objects</b>	Cutlery and crockery	Stainless steel cutlery and stoneware crockery, produced by renewable energy and low emission technologies. Recycled glass.
PULL&BEAR	<b>Join Life Collection circularity project: Story of a shirt</b>	Shirt	<i>Care for Fiber</i> labelling: at least 50% recycled cotton. An example of black fibre obtained by shredding other unusable garments. This fibre does not need dyeing. A second life for a thread that could have ended up in a landfill, and thus new garments are created. Interior alarms and cardboard have been reused. Employment created for waste management in a Special Employment Centre.



### 3.3.4. Health and safety of our products

WHAT DO WE DO AT INDITEX?	CONTENT DEVELOPED	FEATURED INITIATIVES
We established <b>strict requirements</b> on the health and safety of our products.	OUR PRODUCT HEALTH AND SAFETY STANDARDS	<ul style="list-style-type: none"> <li>• Safe to Wear</li> <li>• Clear to Wear</li> <li>• I+Cosmetics</li> <li>• I+FCM</li> <li>• I+Home Fragrance &amp; Candles</li> <li>• I+Child Care Furniture</li> </ul>
We conduct various <b>control procedures</b> in the various stages of the supply chain to ensure compliance with the established requirements.	PRODUCT HEALTH AND SAFETY CONTROL PROCEDURES	<ul style="list-style-type: none"> <li>• Picking programme</li> <li>• New evaluation before being distributed</li> <li>• Approval of Laboratories Programme (APPLABS)</li> <li>• Root Cause Analysis</li> <li>• Analysis optimisation</li> <li>• Recovery of non-compliant production</li> </ul>
We continually <b>train</b> our employees and we offer <b>technical assistance</b> to our teams to maintain our standards at the cutting edge.	TRAINING AND AWARENESS-RAISING	<ul style="list-style-type: none"> <li>• Training for buying and design teams</li> <li>• Implementing technical assistance on-site to buying and design teams</li> <li>• Cutting the time required to detect potential breaches and providing solutions best suited to the specific type of product.</li> </ul>
We <b>innovate</b> to improve the manufacturing technologies and instrumental techniques.	RESEARCH, DEVELOPMENT AND INNOVATION	<ul style="list-style-type: none"> <li>• Creation of a method to determine volatile perfluorinated compounds</li> <li>• Ion chromatography with post-column derivatization</li> <li>• Application of antioxidant lipid products in chromium (VI) prevention</li> <li>• Study of the possibilities of a new methodology to measure the presence of fungicides in leather.</li> </ul>



Inditex has in place the most exacting product health and safety standards, which are mandatory and which apply to all the goods<sup>(4)</sup> we sell, and are a benchmark for manufacturing practices of all the suppliers across our supply chain. Our product policies ensure that in no case do the articles we market pose a risk to the health or physical safety of our customers.

We uphold our commitments to the Sustainable Development Goals, including to Good Health and Well-being and Responsible Consumption and Production. Our health and safety standards endeavour to guarantee quality and safety of chemical products used in the supply chain and to foster safer alternatives for human health and the environment.



In partnership with technology companies, research centres and international laboratories of reference, we verify the appropriate implementation of our standards using own and innovative programmes that include:

- The analysis of both the goods and the chemical products used in the production thereof.
- Conducting recurrent audits both at the facilities involved in manufacturing the goods, and at the factories that produce the chemical products used to produce our goods.

We are aware that there are various stages and processes in the textile and leather industry that use chemical products to transform the raw material from the earliest stages of production to the final stage of manufacturing. Therefore, our requirement is applicable to the chemical industry, responsible for producing dyes, pigments and ancillary chemicals used in the textile and leather industries under the framework of *The List, by Inditex* programme.

*i* More information on paragraph 3.3.2. *Selection of materials* section c) *Raw material control* of this Annual Report.

Based on the premise of working towards the excellence of our products, we have a team of scientists and technology experts that monitors any novelties and revisions related to regulations on health and safety. They are also in charge of identifying the chemical substances used in the industry and evaluating every manufacturing process of our products.

(4) With regard to articles outside the scope of the product health and safety standards of Inditex, they are subject to minimum requirements reports especially created pursuant to the statutory requirements which apply to the type of product and the markets where they are sold.







***This effort ensures that our articles meet the highest levels of health and safety, regardless of the specific regulations and legislation that may apply in each market.***

As a result of this process, we have managed to go beyond the Restricted Substances List, aligning with the uses to which they are applied in the textile industry in the preparation of our product standards. We have provided additional knowledge, which identifies regulated substances and controls manufacturing processes, while at the same time we have proposed the use of alternative technologies to prevent non-conformities. This knowledge becomes a very useful reference for our manufacturers and for the industry as a whole with regard to ensuring health and safety in production.

Our policies are contained in the various internal standards developed in terms of health, safety and environmental sustainability, and encompass a wide variety and classification of articles manufactured and marketed by the Group.

In 2020, we reviewed all the health and safety standards for our products (garments, footwear and accessories, cosmetics, products in contact with food, children's furniture, candles and fragrances), working on updates in response to the new legal requirements and our

commitments to sustainability, therefore increasing their scope to the new product typologies that we market.

Likewise, in order to comply with our environmental commitments, particularly the ZDHC Commitment (Zero Discharge of Hazardous Chemicals), we have our own Manufacturing Restricted Substances List (MRSL). Our MRSL, available on our corporate website and applicable to all manufacturing processes of our products, specifies the chemical substances that are subject to specific restrictions or whose use is prohibited.

In 2020, we worked to align our *Clear to Wear* product health standard with the rest of the textile and leather industry by means of our involvement in the AFIRM group. We firmly believe that these efforts to be aligned will strengthen the identification and elimination of hazardous chemical substances from the chemical industry and from the entire supply chain. Accordingly, we will be able to ensure the same level of requirements and management of chemical substances used in manufacturing at all the facilities in the supply chain regardless of which brand they work for (*Clean Factory Approach*). These new developments and updates to the standard will apply from 2021.

With the information generated in our control programmes and in the processes of updating our standards, we can identify new substances that are used in the textile and leather industry and can continuously evaluate their safety. Thus, if we identify a new substance that has a direct impact on the environment or on health, we integrate it in our product standards.



## a) Our product health and safety standards



### Safe to Wear

**SAFE TO WEAR (STW) IS OUR PRODUCT SAFETY STANDARD, WHICH APPLIES AND IS MANDATORY FOR THE APPAREL, FOOTWEAR, ACCESSORIES, TRIMMINGS AND FABRICS SUPPLIED.**

It has been developed in partnership with international experts in children safety, in accordance with the most demanding product safety legislation. In addition to covering the design, the fastening degree of small parts, sharp points and sharp edges in clothing for children, the standard restricts parameters such as flammability in goods for both children and adults.

✓ *Throughout 2020, we have continued working to include changes and new regulations for the next version. Similarly, we have worked on a new, more user-friendly and visual production guide within the process of ongoing training and advice to our suppliers, putting forward the potential risks of the designs, as well as their alternatives and best practices for manufacturing.*

### Clear to Wear

**CLEAR TO WEAR (CTW) IS OUR PRODUCT HEALTH STANDARD, WHICH APPLIES AND IS MANDATORY FOR THE APPAREL, FOOTWEAR, ACCESSORIES, TRIMMINGS AND FABRICS SUPPLIED.**

*Clear to Wear* has been developed in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding health of the product. In addition to covering parameters and substances whose use is restricted, it limits the use of certain substances not addressed in the prevailing laws and regulations which could be potentially hazardous, and encompasses the provisions of REACH, (European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), being the EU regulation that all our suppliers must observe.

Note that our *Clear to Wear (CtW)* product health standard was broadly redefined in 2019, with a much more ambitious scope to regulate both the substances included in international regulations and those that, despite not being specifically regulated, generate considerable environmental and health concerns. This overhaul of the foundations of our standard resulted in a new line of work in accordance with our Sustainability Roadmap.

In order to update our product health standard and maintain our commitment to maximum responsibility and quality requirements, it is important to assess concepts such as the safety of chemical substances of which chemical products are comprised and the possibility for use over the various stages of production in our supply chain. This assessment is important to ensure that the control programmes focus on hazardous substances and only on those that are effectively used in the textile and leather industry.

Consequently, in designing the CtW 2021, we worked with a team of experts and advisers, on the one hand to evaluate the available knowledge in toxicity databases and, on the other hand, to confirm whether these substances are actually used in the textile and leather industry.

- ✓ *In 2020, we examined more than 1,800 substances particularly subject to environmental and human health concerns; and we assessed their potential use in the different stages of manufacturing in the textile and leather industry. These actions are geared towards guaranteeing our commitment within the Strategic Environmental Plan and commitment to our customers.*

## I+Cosmetics

**I+COSMETICS IS OUR PRODUCT HEALTH STANDARD, WHICH APPLIES AND IS MANDATORY FOR ALL OUR COSMETIC PRODUCTS.**

This standard has been developed in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding health of the product in the cosmetics sector. In addition to regulating parameters and substances of legally limited use, it limits the maximum level of impurities allowed in starting materials.

- ✓ *A new updated version was implemented in 2020, including regulatory developments in cosmetics and updating the first edition released in 2017.*

## I+FCM

**I+FCM IS THE PRODUCT HEALTH STANDARD, WHICH IS MANDATORY FOR ALL THE PRODUCTS DESIGNED TO BE IN CONTACT WITH FOOD.**

It has been prepared in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding food safety. In addition to regulating parameters and substances of legally limited use for all types of materials used in goods in contact with food (plastic, crockery, glass, metal, paper, or wood, among others), it restricts the transmission, in ordinary or foreseeable use conditions, of chemicals comprising the goods to the food they are in contact with.

- ✓ *Following the consolidation of the implementation of its first release, the standard was updated with a second edition in 2020, including regulatory developments in this field.*

## i+Home Fragrances & Candles

**I+HOME FRAGRANCE & CANDLES IS OUR PRODUCT HEALTH AND SAFETY STANDARD THAT IS APPLICABLE TO CANDLES, INCENSE AND OTHER AMBIANCE PRODUCTS FOR THE HOME. IT REGULATES HEALTH PARAMETERS AND SUBSTANCES WHOSE USE IS LEGALLY LIMITED.**

As with all other standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health.

- ✓ *The first release, designed in 2019, was consolidated in 2020 and work remains ongoing on possible updates to this standard for the coming release.*

## I+Child Care Furniture

**I+CHILD CARE FURNITURE IS THE INDITEX PRODUCT HEALTH AND SAFETY STANDARD THAT IS APPLICABLE TO CHILDCARE ARTICLES SUCH AS CHANGING TABLES, HIGH CHAIRS AND CRIBS. IT REGULATES HEALTH PARAMETERS AND SUBSTANCES WHOSE USE IS LEGALLY LIMITED.**

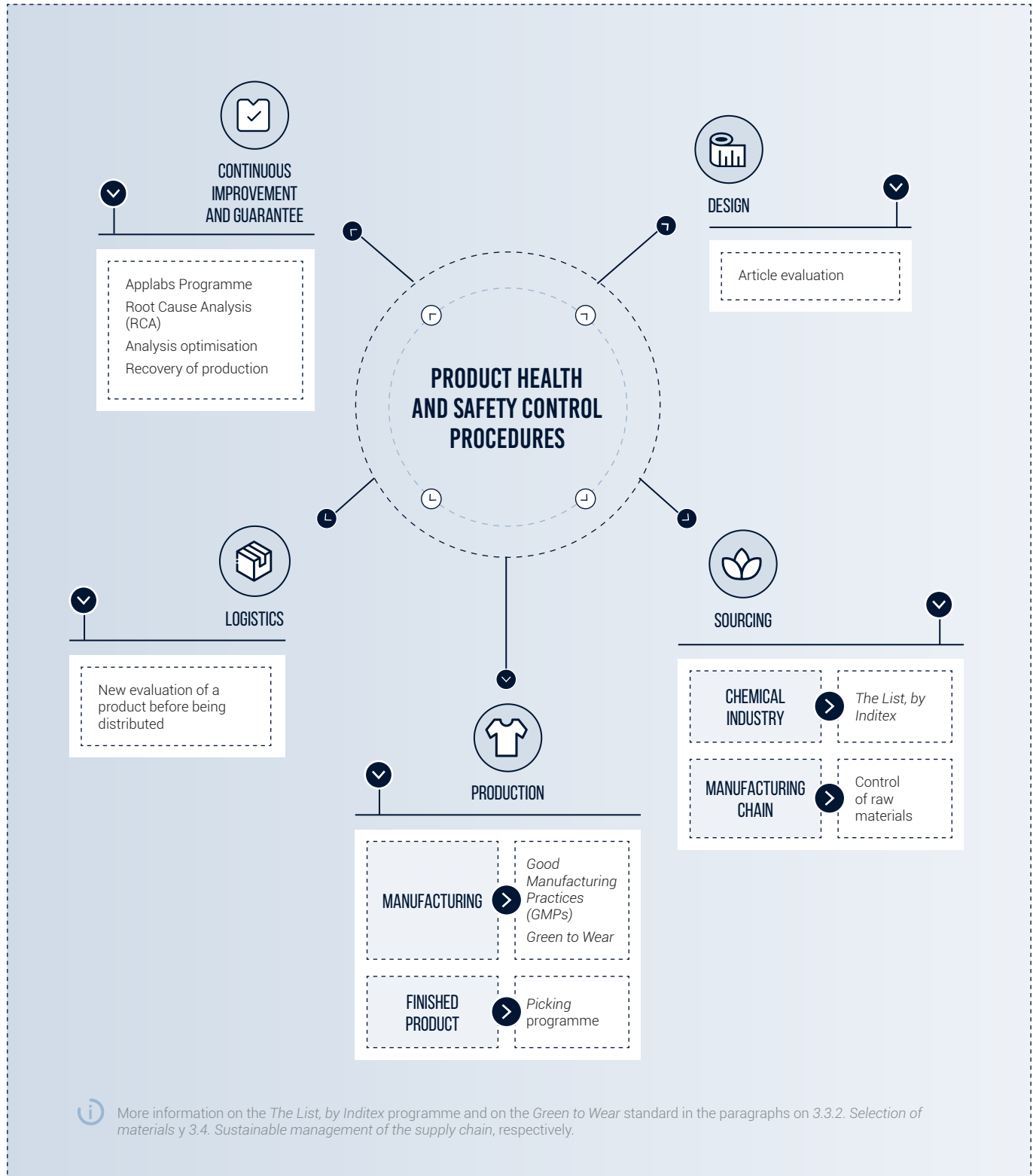
As with all other standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health.

- ✓ *The first release, which has already been published in 2019, was consolidated in 2020 and work remains ongoing on possible updates to this standard for the coming release.*

## b) Product health and safety control procedures

Inditex's collections are present in over 200 markets. To ensure that all our products comply with the most demanding standards of health, safety and environmental sustainability, we have developed a comprehensive control

and improvement programme that covers all production phases and with which compliance is mandatory for our entire supply chain.



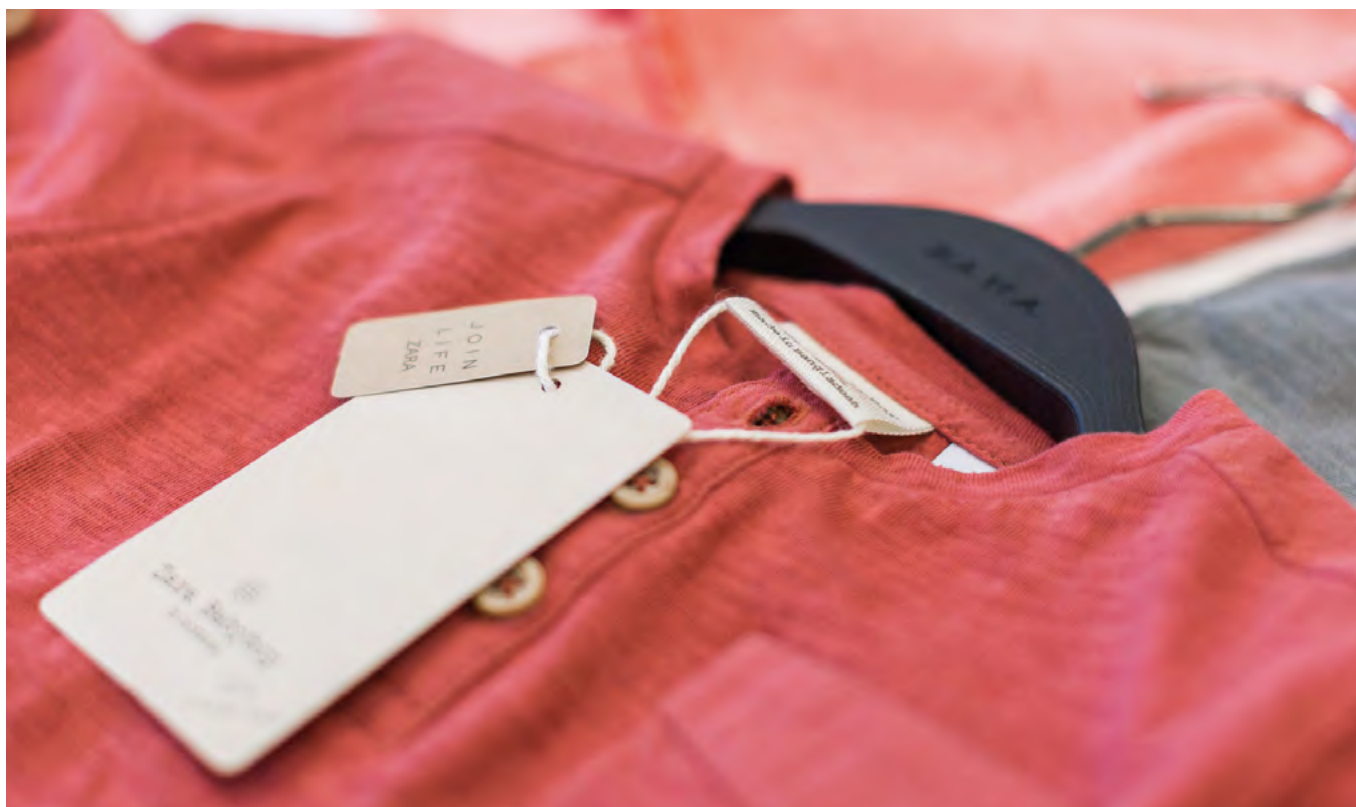
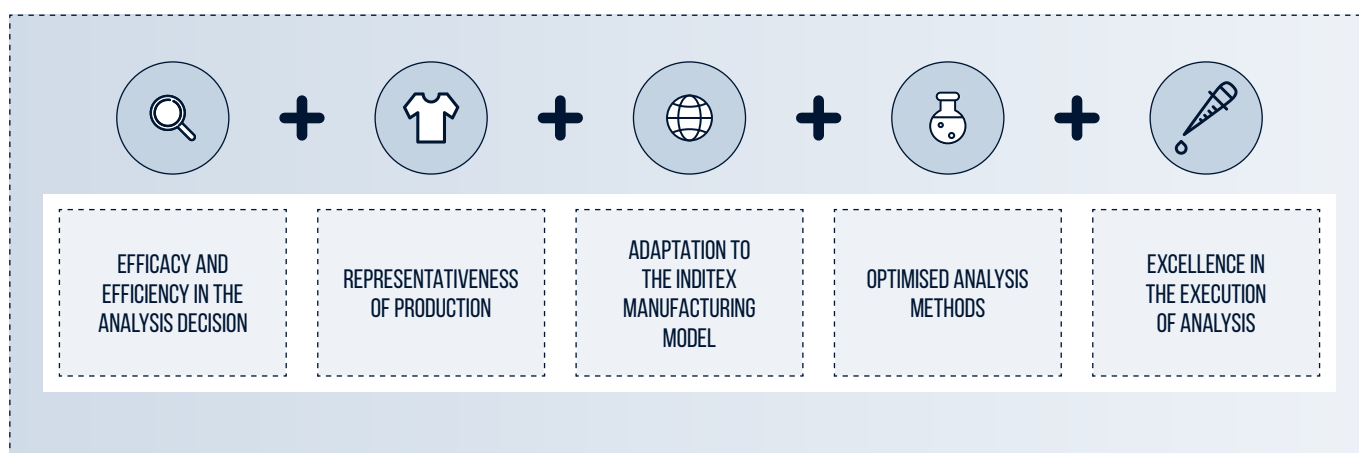
## Good Manufacturing Practices

As part of the process to ensure the quality of our products, and to guarantee their proper manufacturing, at Inditex, we have created a procedure for verifying compliance with Good Manufacturing Practices (GMP) in cosmetic products and food contact materials. The purpose of this procedure is to define and control the various activities that must be carried out at each phase of production so as to obtain a product that complies both with our own exacting product health and safety standards and the characteristics defined for each article.

## Picking programme

In 2011, we designed and implemented, *Picking*, a control and analysis programme which seeks the effective identification of non-conformities in articles, with the involvement of scientific and technological advisers and the support of benchmark international suppliers of analytical services.

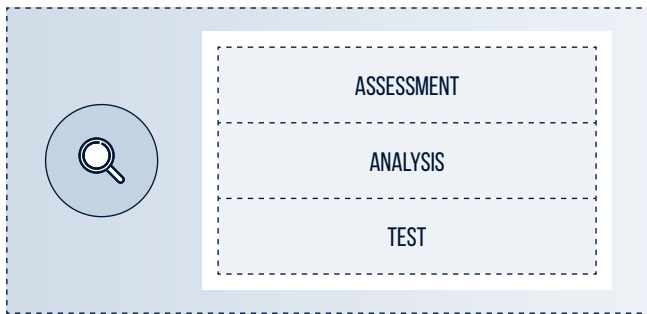
Specifically, *Picking* is our benchmark instrument because it is constantly adapting to our production and logistics model. It thus guarantees that all the articles we market comply with our product health and safety standards.





Due to the global covid-19 pandemic, in the first quarter of 2020 we changed the *Picking* programme to the "*Picking by Supplier*" programme in those manufacturing countries affected by the coronavirus. Under this programme, we deliver precise instructions to manufacturing facilities for taking representative samples of production and shipping them to the *Picking* support laboratories. The aim was to avoid the spread of the virus and guarantee the health of workers at our supply chain and that of the health and safety teams, without compromising the standards of the control process. Thanks to this adaptation of the control programme, we managed to ensure the stringency of the *Picking* process in the established time frames and with no impact on the supply chain. This was a one-off and transitory measure in the manufacturing countries in a critical situation during the pandemic until they improved and, as soon as the safety of the service was guaranteed, the usual *Picking* programme was reactivated.

**Design and manufacturing stage**



In the design stage, units of experts on product health and safety of each one of our brands assess the risk of articles.

In the **manufacturing phase**, external inspectors **take representative samples of the on-site production**, at the facilities, of all risk articles, on which laboratories **perform analyses and tests**.

A detailed evaluation of such inspected samples determines whether the product is approved, rejected, or requires recovery processes to be compliant with Inditex standards.



**A total of 42,856<sup>(5)</sup> inspections have been carried out in 2020, with the performance of 744,404 analysis and tests.**



*Degree of initial compliance by geographical area in relation to the manufacture of our products is included in the chapter of Appendices of this Annual Report.*

The laboratories that provide support for the programme, distributed in different geographic clusters of suppliers, are relevant players in the *Picking* programme. Their work is therefore standardised, using innovative and optimised analytical methods that are subject to strict follow-up on the quality of their results and on the service they provide.

**MINILABS**

Having control instruments that quickly and accurately establish the conformity with our standards is a constant challenge for Inditex. Therefore and to supplement the *Picking* Programme, we have implemented so-called **Minilabs**, portable laboratories the size of a carry-on luggage case, which allow conducting screening tests of six substances and parameters regulated in the *Clear to Wear* standard at any given time.

Thanks to the *Minilabs*, we conduct testing at the factories themselves, thereby improving the efficiency of our control systems.



**In 2020, a total of 2,671 *Picking* inspections were performed with Minilabs, which involved 27,431 analyses and screening tests<sup>(6)</sup>.**

(5) The number of inspections and analyses have decreased significantly due to the impact of the pandemic on the closure of certain manufacturing countries, and is not due to a change in the risk assessment strategy. In 2019 56,352 inspections and 899,046 analyses were performed, and in 2018 63,420 inspections and 933,980 analyses.

(6) 2,977 inspections and 36,929 screening tests and analyses carried out in 2019; 1,276 inspections and 17,212 analyses and tests in 2018.



In addition to this and in order to increase the coverage of this system, we want to expand the scope to all manufacturing countries, as well as increase the number of substances and parameters. It is currently being implemented at the production points in Portugal, Spain, Pakistan, Morocco, Turkey, Bangladesh and Cambodia.

This development enables us to fast-track decision-making linked to the *Picking* programme, such as the possibility to recover and salvage affected production before it is completed. This also generates a major benefit in sustainability by minimising energy and water consumption. Another important aspect of this process is to raise supplier awareness, given that the analyses are always conducted in their presence and at their own facilities.

In 2020, work was ongoing on new screening methodologies to be included in the mini-lab, such as for example a method for determination of extractable nickel and a method for determining rub-through fastness in leather.

#### **New evaluation of a product before being distributed**

With the design and production concluded, all items are sent from manufacturing countries to our distribution centres. This is when our health and safety technicians evaluate the products physically, supervise the results of all the analyses performed and conduct product safety inspections, especially on small parts, cords and drawstrings.

In addition, we conduct random verification analyses of the productions we receive at distribution centres, for which we also use our internal laboratories and the analytical support network of the *Picking* Programme.

If design modifications or incidents in the initial risk evaluation of the production are detected, then any additional analyses and corrections that are needed are performed at that time to guarantee compliance with Inditex's standards.

### ***Approval of Laboratories Programme (APPLABS)***


To establish whether a production complies with our standards, in Inditex we rely on testing by external analysis laboratories of our analytical network. Given the production model and the strict limits of our standards, we seek precision and maximum accuracy from the various laboratories. The purpose of analysing reference samples for correlation is to monitor laboratory practices with respect to our standards.

Confidence in these laboratories is cemented in an external laboratory approval programme called *Applabs*. It was designed and developed together with the University of Santiago de Compostela and has several stages:





Conducting on-site **audits** that verify, among other aspects, the **technical competency of the laboratory's personnel and their diligence with the analyses**.



**Monitoring of the results** of each laboratory by comparing them. Those whose **results deviate from the quality levels** we demand undergo **corrective actions and, if they fail to comply, the proper actions are taken**.



The creation of mixed **technical committees** for discussing matters such as the detected problems, any optimisation actions or the **introduction of new analysis methods**, among others.

Overall, a total of 20 on-site audits of external laboratories were conducted, in addition to 32 correlation exercises, which involved analysing 6,915 samples (13 audits, 30 correlation exercises and analyses of 7,763 samples in

2019; 9 audits, 17 correlation exercises and analyses of 8,565 samples in 2018). The aim is to continue increasing the scope to be able to audit all the laboratories we work with.

In 2020, the external laboratory audit process was outsourced to a multinational expert audit company with staff in most of our production clusters. For the process, we designed a specific audit procedure to inspect the most critical in-laboratory processes, and the auditors received training for its proper execution. This has generated a significant increase in the number of external laboratories inspected and it is therefore expected that in the next year the list of approved laboratories will expand.

Likewise, in 2020 the number of cross-comparison samples for new substances and parameters in the *Clear to Wear* programme increased, correlating, among other substances, organochlorinated compounds, organotin compounds, perfluorocarbon compounds (PFCs) or heavy metals like chromium.



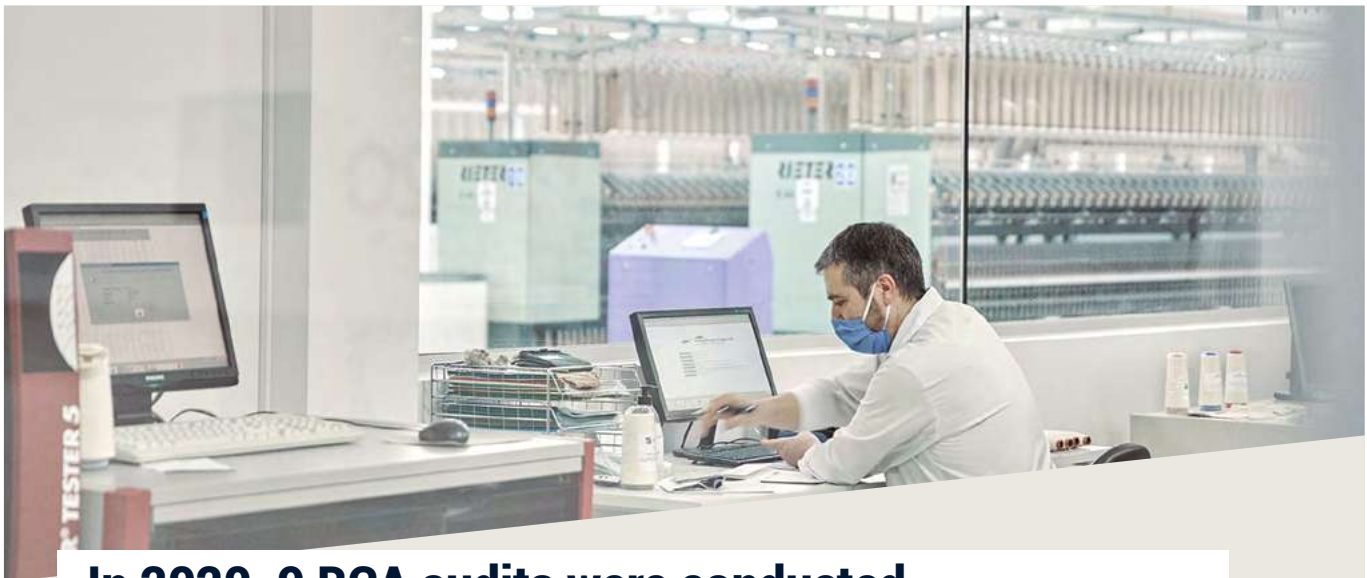
## Root Cause Analysis (RCA)

Whenever an article does not comply with *Clear to Wear* requirements, Inditex conducts a *Root Cause Analysis* (RCA) to understand what has happened and to study new improvement strategies.

In such RCAs, textile or leather experts evaluate the facilities (dyeing mills, washing mills, printing mills and tanneries)

that are involved in manufacturing the affected article to determine that origin of the problem. Once it has been identified, a Corrective Action Plan (CAP) is determined for the factory in order to avoid future incidents.

This information allows us to enrich and provide feedback to our *Green to Wear* and *The List, by Inditex* programmes, thereby ensuring the ongoing improvement of those programmes.



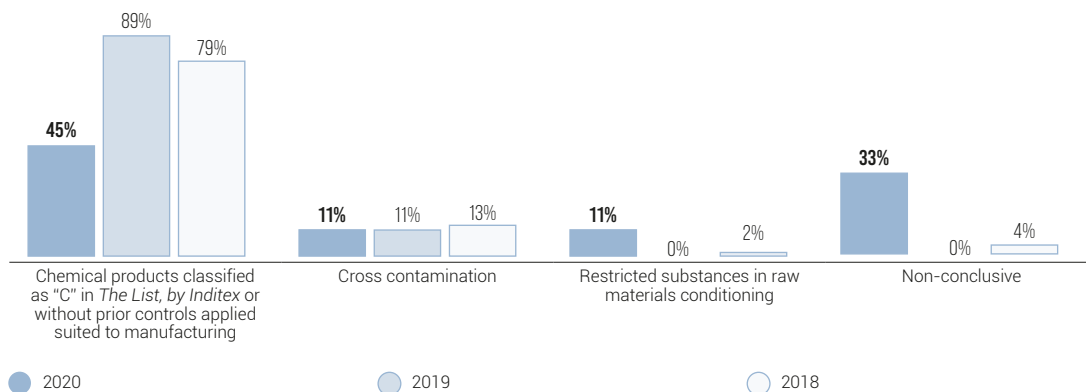
### In 2020, 9 RCA audits were conducted

The results showed that in 45% of the cases, the supplier, in their manufacturing, had used chemical products not permitted (classified as C) by *The List, by Inditex* and/or had not applied adequate controls to these products prior to manufacturing. The cross-contamination between different productions that did not follow adequate

manufacturing conditions caused the 11% of detected non-conformities.

The presence of restricted substances originating from the raw materials conditioning stages was the cause of 11% of non-conformities. Lastly, in the remaining 33% of the audits, the results were inconclusive.

EVOLUTION OF NON-CONFORMITIES DETECTED







*Through RDI activities, we continue to make progress toward healthy, safe and sustainable products.*

## Analysis optimisation

Within the framework of *Picking*, Inditex is collaborating with specialised researchers in the textile industry on the development of prediction tools for manufacturing technologies with a greater risk of generating non-conformities.

Thus, and in accordance with a continuous updating and improvement process, we can compare conformity with standards in a greater number of references and with a fewer number of analyses. All without varying the commitment to and maximum responsibility for the health and safety aspects of our products.

## Recovery of non-compliant production

In order to be able to reduce productions that are discarded due to non-conformities with our standards, we work with our scientific and technology partners on recovering productions by eliminating the substances that are the causes of non-conformities. Due to this collaboration, we have implemented production recovery protocols for cases in which substances such as arylamines, phenols, formaldehyde and phthalates are present, as well as protocols correcting pH in excess or deficiency.

In 2020, the re-operation protocols were broadened with satisfactory results for organochlorinated compounds and heavy metals like chromium (VI) and extractable copper.

## c) Training and awareness-raising

The Group relies on scientific teams and technology experts who identify regulatory developments, construe the restrictions thereof, select analytical methodologies and carry out in partnership with the chemical industry, a thorough evaluation of chemical products and manufacturing processes where non-conformities might appear.

As part of this careful process, the design of our standards goes beyond the limitations of a classic Restricted Substances List (RSL), bringing in additional expertise that allows us first to identify hazardous chemicals and manufacturing processes and secondly, to propose alternative products or manufacturing technologies to avoid non-conformities. This information is very helpful for our manufacturers and is a key strategic element of the training and information actions across our supply chain.

Thus, we regularly give training on specific and relevant elements of the health and safety standards addressed to technical and managerial staff of suppliers. In 2020, experts on product health and safety from our Sustainability Department provided training and gave technical advice in the main manufacturing clusters: Portugal, Morocco, Turkey, China, Bangladesh, India and Pakistan.

At the same time, regarding awareness-raising among internal design and buying teams, we have reinforced the department of product health and safety across all our brands for the purposes of:

- Giving ongoing training to commercial and design teams on product health and safety issues.
- Providing technical assistance on-site to commercial and design teams.
- Cutting the time required to detect potential breaches and providing solutions best suited to the specific type of product.

Refreshment training is provided to these units of experts in partnership with academic institutions and scientific and technology companies. Training has been given to new internal teams in the own product health and safety area in 2020.

Similarly, and due to restricted mobility as a result of the exceptional situation of global pandemic, the mode of training has had to be adapted from in-person format to online format in the case of external training provided by our product health and safety teams in different countries.

## d) Featured RDI initiatives related to product health and safety

Through RDI activities, we continue to make progress toward healthy, safe and environmentally sustainable products. Below is an overview of some of the notable initiatives in the fiscal year 2020:



### CREATION OF A METHOD TO DETERMINE VOLATILE PERFLUORINATED COMPOUNDS

In the absence of an international methodology for determining perfluorinated compounds (PFCs) in textiles and chemical products, Inditex, in partnership with the University of Lleida, has developed a **new method for determining** these compounds **that includes, as a novelty, the determination of volatile PFCs with a very high degree of sensitivity** to comply with the strictest current limits.

### APPLICATION OF ANTIOXIDANT LIPID PRODUCTS IN CHROMIUM (VI) PREVENTION

In 2020, Inditex, in partnership with the University of Lleida, has researched the application of treatments with antioxidant lipid products to prevent the appearance of chromium (VI) in leather products. The research showed that **antioxidant lipids are highly efficacious in the lasting protection of leather from the formation of chromium (VI)**, including in highly radical environmental conditions. Once the research has concluded, the findings will be shared throughout the supply chain via the *Green to Wear* standard.

### ION CHROMATOGRAPHY WITH POST-COLUMN DERIVATIZATION

Inditex, in collaboration with the University of Lleida, has developed the application of an advanced method for the determination of chromium (VI) that represents considerable progress in the analysis of leather. This methodology incorporates a technology that allows **unprecedented sensitivity levels** to be reached and therefore generates **full confidence and trust in the final result**, regardless of how complex the leather matrix is.

### STUDY OF THE POSSIBILITIES OF A NEW METHODOLOGY TO MEASURE THE PRESENCE OF FUNGICIDES IN LEATHER

Inditex, together with the University of Lleida, has investigated a new method for **detecting the presence of residues of preservative substances in leather** (fungicides in leather) that is much **more representative of the real conditions of use than conventional procedures**. This improvement is compatible with the ability to detect very small amounts of these substances, well below regulatory limits.