

5.4

Collaborating to transform through sustainable management of our products

Related material topics: Stakeholder engagement; Innovation; Environmental footprint minimisation; Protection of natural resources; Product sustainability; Circularity.



Sustainable management of our products is crucial to transform our sector. At Inditex, we see circularity as a very important tool to achieve real transformation in our industry, and we work with a number of players, from competitors to industry organisations, to achieve this. Furthermore, we are mindful of the importance of offering our customers sustainable products. Raising awareness among them regarding, for example, best practices for caring for our products, in turn drives the transformation we target.

2021 MILESTONE

New sustainability commitments

The Group approves new sustainability targets in its Annual General Meeting. These notably include:

- In 2022, more than 50% of articles will feature the Join Life label.
- In 2023, all cotton and man-made cellulosic fibres used will come from more sustainable sources, ramping up the previous cotton target by two years.

5.4.1. Our approach to circularity

GRI 103-2; 103-3 AND 306-4



As part of our commitment to sustainable development, **at Inditex we are strongly committed to circularity**, an economic, management and production model that enables growth while conserving natural resources and advancing in the decarbonisation of the value chain. For us, circularity represents a differential model for production and consumption that spans every stage of a product from design to end of life, promotes the recycling and reuse of articles to extend their life cycle and thus minimises the use of natural resources, energy consumption and waste generation.

Integrated into our corporate strategy and our Sustainability Roadmap, **circularity encompasses the entire business model**: from the various processes carried out along the value chain to the management of commercial space, including logistics, product design and the Company's offices. We therefore strive to achieve a more resilient and sustainable activity in the long term. We also believe that circularity represents a great opportunity not only for Inditex, but for the entire industry and the community as a whole, as it represents a paradigm shift that benefits people, the environment and the economy.

Consistent with this concept of circularity, the fibres and materials we use must be designed to achieve the greatest possible longevity, while at the same time being resource efficient, non-toxic and recyclable. In this way, we are focused on minimising our impact on the value chain through process efficiency and the quest for more sustainable materials, on extending the life of our products through innovation, and on promoting recycling and reuse when they reach the end of their life cycle. Innovation and technological development are, therefore, essential to meet the challenges posed by the development of new materials and new processes as we advance towards this circular model.

In order to close the life cycle of our products and the materials we use, when reuse is not possible, we work to consider waste as a **secondary raw material** and, as such, we endeavour to collect it and reintroduce it into the production processes. As an example of this, we provide locations for our customers to deposit their articles when they decide to dispose of them: our *Closing the Loop* programme. We are also committed to ensuring that by 2023 the waste generated at our own facilities —headquarters, logistics centres, factories and stores— does not end up in landfill, a goal we are working towards through our Zero Waste programme.

We are aware that achieving a fully circular model is not an issue that can be tackled by individual initiative alone; it requires a concerted effort by consumers, industry, the scientific community and governments. **Collaboration is key**, and at Inditex this occurs through our involvement in various projects and initiatives both within our industry and across multiple sectors, which add up to our individual projects. Thus, we join forces to support the production and marketing of sustainable and circular products, encourage reuse and promote collection and recycling.

As part of this holistic view of circularity, we share our experience and align positions with relevant stakeholders, thus contributing to the debates held on this subject. Accordingly, we address this issue both collectively, through sector associations or specific partnerships, and individually. We want to help define actions to overcome barriers to circularity, stimulate its collective and collaborative management and support public and private investment and innovation.

Our main lines of work on circularity revolve around minimising impact at all stages of the value chain, focusing mainly on the supply chain, product use and end-of-life. Raising consumer awareness also has a very significant part to play in the strategy. In our view, in a circular economy, consumers will play a vital role not only in making purchasing decisions, but also in sorting, recycling and reusing products. Hence, we join forces and work to obtain a harmonised framework of action for consumer empowerment and protection.

MINIMISING IMPACT...



... in the supply chain

Recycled raw material projects with less impact:

- ✓ **Programas t2t** (*textile to textile*).
- ✓ **Poliéster reciclado.**



... in the use of products

- ✓ Optimising systems and partnerships with third parties within the **Closing the Loop** programme for the **collection of used garments**.
- ✓ Research to identify materials that require less maintenance.
- ✓ Training for buying teams, on raw materials coming from more sustainable sources and wet processes, to foster a more sustainable product.
- ✓ Research into promoting maintenance with a lower impact.
- ✓ Research into measuring and reducing the release of microfibres when washing the garment.
- ✓ Research into increasing the usability of garments.



... at the end of life

- ✓ **Zero Waste** Programme
- ✓ **Green to Pack** Programme.
- ✓ **Closing the Loop** programme: Promoting **Closing the Loop** garment identification and classification systems, according to their qualities, composition and colour, in collaboration with our partners.
- ✓ Evaluation of monomaterial design through designer training.
- ✓ Driving design with recyclable colours.

RAISING CONSUMER AWARENESS

Consumer information and empowerment regarding their role in circularity.



Traceability and transparency.

The Group's commitment to traceability and transparency also plays a key role in circularity to ensure that our products are made with the most environmentally-friendly raw materials and production processes. Furthermore, traceability and transparency are two fundamental tools for empowering consumers, and we also provide them with information on the origin, impact and characteristics of the most sustainable materials in our collections on the Group's brands various websites, so that they can make more responsible choices.

Circularity poses technological, industrial, economic and regulatory challenges that cannot be overcome without a **firm commitment to innovation**. As this is a key element of our business model,

the Group devotes great efforts to research and development to bring quality products to the market with the lowest possible environmental impact. For example, we invest in obtaining raw materials from more sustainable sources and more efficient production and recycling techniques. We are mindful of the importance of transforming the concept of waste into a valuable resource that can be recovered and reintroduced as a raw material in the various production systems.

The results of these innovation efforts are evidenced in the various circularity projects launched by the Group's brands.

More information in section 4.3. *Innovation, vital for transformation of this Report.*

Featured collaboration projects

At Inditex we are aware that our sustainability objectives can only be achieved through **collaboration**, both within our sector and with other industries, as well as with all our stakeholders. In this regard, we work with prestigious entities such as the Massachusetts Institute of Technology (MIT) and Cáritas, among others, to advance in our strategic circular economy focus.

MIT Spain - Inditex Circularity Seed Fund

This is a fund set up by Inditex to finance collaborative projects between research teams comprising **MIT** faculty and students (under its MISTI - MIT International Science and Technology Initiatives) together with Spanish universities and non-profit research institutions.

The projects financed are aimed at developing **recycling or transformation initiatives**, creating textile fibres by new, non-polluting methods or from waste, as well as any other sustainable initiative related to the circular economy in the textile industry.

In 2021, the fifth period for applications to this fund was opened to finance research in areas such as:

- New textile recycling techniques.
- Creating new fibres based on sustainable technologies.
- New methodologies for improving maintenance and extending the use of garments.
- Optimising the biodegradability of garments.
- Developing new fibre-level trace systems.

The second three-year edition covers the 2020-2022 period and Inditex has contributed an amount of 450,000 dollars (403,370 euros, at the exchange rate at the close of 2021 financial year).

Among the projects funded by this initiative, we highlight the **University of Vigo's Chemical Recycling project**, focused on overcoming the challenge of chemical recycling for fabrics with mixed compositions.

Additionally, also in collaboration with MIT (specifically, with the Department of Material Science and Engineering), in 2019 we set up the Inditex Materials Science and Engineering Fellowship Fund with the aim of promoting research on sustainability.

Accelerating Circularity

Accelerating Circularity is a collaborative project of the textile industry that combines efforts of various actors **to develop circular supply chains**, with a special focus on chemical and mechanical recycling of synthetic and cellulosic materials. With the support of organisation such as Textile Exchange, Euratex, Wrap, Circle Economy, Fashion for Good, ReFashion or Apparel Impact Institute, among others, the project is aimed at establishing systems that harness the value and resources in existing textiles to create new products. This reduces the amount of textile waste going to landfill annually, therefore helping reduce the environmental impacts of the industry and the need for virgin materials.

In June 2021, the European arm of Accelerating Circularity was launched, with Inditex as a founding partner and member of its Steering Committee along with other representatives of fibre manufacturers, textile waste and supply chain experts, as well as brands and retailers. We are also members of this initiative's Brand and Retailer Working Group in the United States. From our position, we work with the value chain actors such as collectors, sorters and mechanical and chemical recyclers of various technologies to identify the requirements for producing recycled fibre using post-consumer textiles. The short-term objective is to scale up pilot production of collections incorporating recycled fibres from textile waste produced in Europe.

Global Fashion Agenda: Call to Action

In 2021, we continued to work with the non-profit organisation Global Fashion Agenda, which runs the Global Fashion Summit (formerly Copenhagen Fashion Summit) and calls upon fashion brands and retailers to implement **actions to boost circularity**.

Of the projects in which we collaborate, we highlight our involvement in the Circular Fashion Partnership with GFA, BGMEA and Reverse Resources.

Circular Fashion Partnership

Inditex is one of the founding partners of this cross-sectoral project, led by *Global Fashion Agenda* with *Reverse Resources* and BGMEA (a Bangladeshi employer association) as project partners. **The aim is to develop the textile recycling industry in Bangladesh**, using secondary raw materials from post-production fashion to make new products.

This project facilitates collaboration between textile manufacturers, recyclers and fashion brands operating in Bangladesh. The workflow is structured into two stages. The first focuses on traceability and recovering waste flows. Manufacturers in Bangladesh work together with the partner brands and are supported by *Reverse Resources* to establish the sorting of cutting waste at their premises. Waste flows are combined with a recycling solution that provides an 'integrated solution' with traceability for all the parties involved. In the second stage, once the waste flows have been redirected to recycling solutions, the project's participants assess the opportunity of making these flows circulate back into production. The price of the material must be moderate (it must not exceed that of virgin material), fully traceable and of the highest possible quality.

Over the course of the year, Inditex brands Pull&Bear and Bershka have contributed to this project, involving our supply chain and bringing some of our local suppliers on board.

Also in 2021, as members of the Circular Fashion partnership we took part in an event with political leaders and textile industry executives in Bangladesh to discuss opportunities for overcoming the barriers to developing a circular industry in the country. In addition, the initiative this year published a study (*The Scale and Value of Bangladesh Textile Waste*) evidencing the importance of fostering recycling in Bangladesh.

Ellen MacArthur Foundation. *Make Fashion Circular*

In 2021 we have strengthened our strategic alliance with the *Ellen MacArthur Foundation*, becoming a partner. At the same time:

- We have renewed our participation as a member of the Advisory Board for its *Make Fashion Circular* initiative.
- We have joined the *Jeans Redesign* initiative with six of our brands.

- We have ramped up our ambition on reducing plastics by signing a new pledge through the *Global Commitment*, led by the *Ellen MacArthur Foundation*.

Our collaboration with *Make Fashion Circular* has led us to participate in **developing a common vision of the circular economy for fashion** that we have integrated into our strategy. This vision was defined thanks to the contribution of over 100 experts and aims to develop a common language for the fashion industry: *Used more, Made to be made again* and *Made from safe and recycled or renewable inputs*.

Moreover, we have contributed to the Foundation's research project *Circular business models: Redefining growth for a thriving fashion industry (2021)*, along with *Boston Consulting Group*, which compiles growth forecasts and circular business models, examining strategic topics necessary for these models to be able to develop their economic and environmental potential.

We have also contributed to the *Circular Design for Fashion Book (2021)*, the *Ellen MacArthur Foundation's* new eco-design guide for the fashion world, based on the principles of the circular economy and in the development of the *Product Design Tool*, aimed at affording key insight into how to make design decisions to ensure products last longer and can be repaired, recycled and, at the same time, manufactured using the most environmentally-friendly materials and processes.

Lastly, with respect to the *Jeans Redesign* initiative, we also contributed to compiling its eco-design guide for producing denim articles in keeping with the principles of the circular economy.

Euratex recycling ReHubs

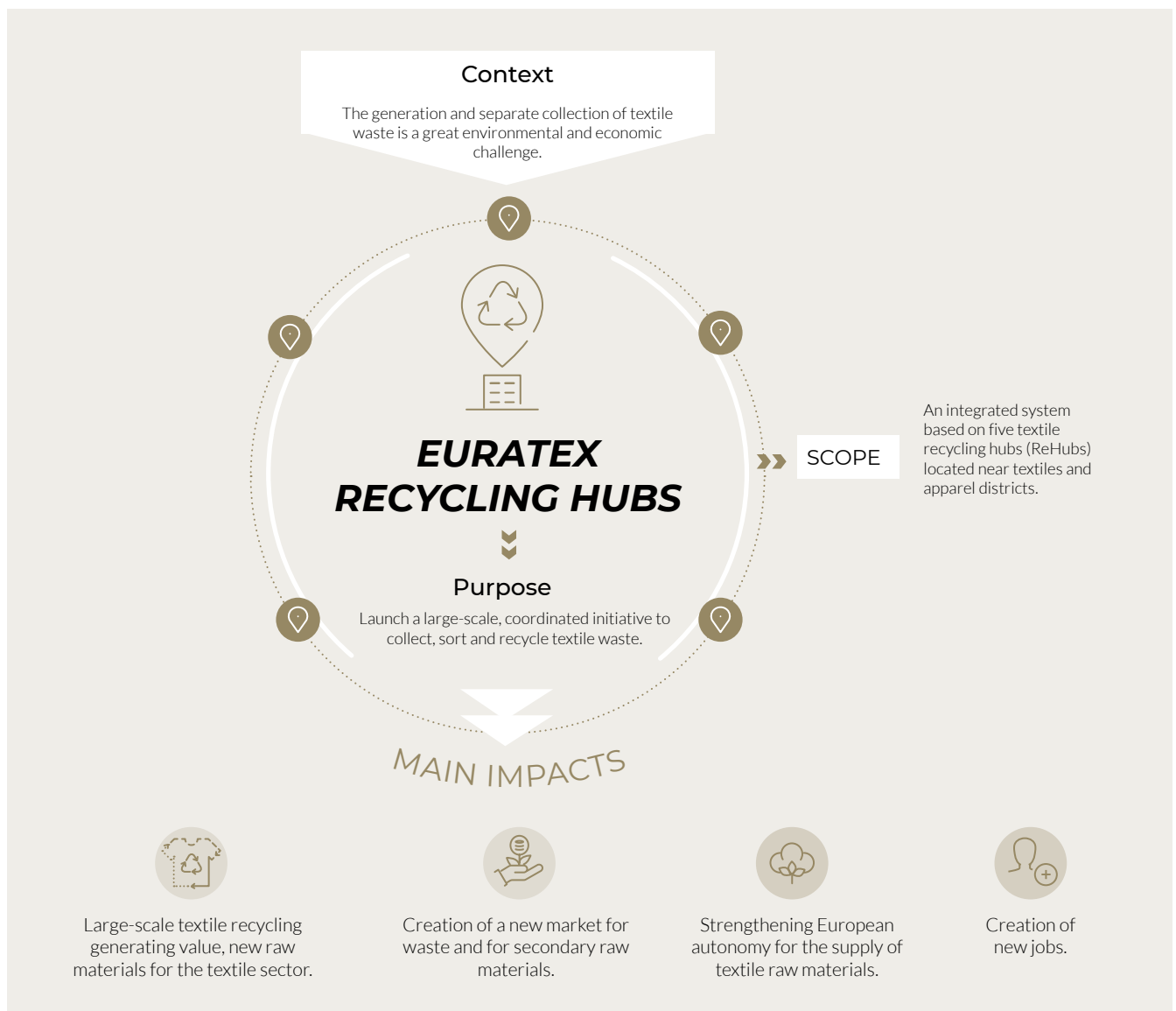
We support Euratex in the development of a proposal to create five recycling centres or ReHubs in Europe for the purpose of **collecting, processing and recovering textile waste**. This project was submitted by Euratex to the *European Commission* in November 2020 with the backing of Inditex and other key European businesses. In 2021, we also joined the initiative's business council.

This year, ReHubs focused on identifying adequate financial resources to develop technological and economic feasibility studies for the five ReHubs and trigger a broader public-private partnership. Inditex, as a member of the business council, took part in the definition of the technical requirements for carrying out those feasibility studies.

Located close to Europe’s textile and garment hubs, these ReHubs will bring the benefits of the circular economy to these areas by recycling textile waste and offering a completely new, coordinated and large-scale process for materials management. At the same time, they will enable the creation of a new European market for recycled raw materials that will save additional costs linked to waste, also boosting cooperation between manufacturers and buyers throughout the

value chain by pooling know-how about products, recyclability and design.

In Spain, Inditex works with the Spanish Intertextile Council, *Consejo Intertextil Español* (CIE), to define the properties, needs and network of synergies of Euratex’s Spanish *ReHub*.



PEF Pilot for Apparel and Footwear

This European Commission project is aimed at developing a shared methodology to **calculate the environmental impact of clothing and footwear**, based on Life Cycle Analysis (LCA).

Inditex we have taken part in the pilot edition of this programme as members of the Technical Secretariat, helping to define such a methodology and a simplified approach to Life Cycle Analysis.

Convinced that a common methodology based on standard industry principles can help accelerate the transition towards more sustainable products, at In-

In 2021, the secretariat submitted for public consultation the first version of the PEFCR (*Product Environmental Footprint Categories Rules*), a doc-



ument that includes specific methodological rules for clothing and footwear products, for review by the stakeholders.

Keeping Workers in the Loop with BSR

The goal of this initiative, in which Inditex is actively involved, is to **map and explore the impact on labour of the transition to a circular economy** model in the fashion industry –primarily in the United States, India and Europe–.

This is a global collaborative project, backed by the Laudes Foundation and led by Business for Social Responsibility (BSR), in partnership with CMS – Social Impact Specialists and economists from the University of Lincoln. Its mission is to analyse how the shift towards circular fashion may affect job opportunities, quality and consumption-production dynamics, developing potential future scenarios including, for example, automation and climate change.

After compiling all this information, the project aims to develop recommendations for fashion industry leaders, policy makers and other stakeholders to promote circular models with decent and inclusive employment opportunities that are resilient to future changes.

Fashion for Good

Fashion for Good is a global initiative for accelerating innovation specialising in the textile sector. Through this platform, brands, producers suppliers, non-profit organisations and innovators work together to **scale sustainable solutions**.

At Inditex we participated in a study on the actual typology of post-consumer textile waste according to its characteristics and composition. The aim is to gauge textile waste sorting capacities in Europe.

In addition, in December 2021 we signed an agreement with Fashion for Good to accelerate various sustainability projects for our industry and society in general.

5.4.2. Design and selection of materials

GRI 102-13; 103-2; 103-3; 413-2; 306-1; 306-2; 306-3; 301-1; 301-2; 301-3; AF18; AF19; AF20 AND 304-2

5.4.2.1. Design

At Inditex we work to offer **high-quality, healthy, safe and environmentally-sustainable** products. Our designers set about making their drawings taking these considerations into account, as well as the availability of more sustainable raw materials and the aim of maximising the life cycle of our articles, prolonging their durability or facilitating their subsequent recycling.

To ensure that our designers and buying and product teams master the best practices in circularity and sustainability, we provide them with training focused primarily on sharing with them Inditex's vision of sustainability, inspiring them, and informing them of the variety of available more sustainable raw materials, the most efficient and cutting-edge manufacturing processes, circular design by article type and the corporate tools we have to ensure, for example, the traceability of the processes, among other aspects.

Article evaluation

Ensuring that our products are healthy and safe, both for consumers and for the workers involved in their production, **begins at the design stage**, since aspects such as the raw materials chosen or the processes necessary for their manufacture are parameters that influence their health and safety.

To ensure compliance with our *Safe to Wear (StW)* article safety standard, we provide the supplier with detailed manufacturing guidelines that include, among others, measurement tables with requirements for the position of appliqués and cords, maximum lengths of free ends, ways to attach components and accessories to the garment, frequency of checking small parts during garment manufacturing or what to do when a broken needle is found, among other relevant information to ensure the safety of the final product.

📄 More information about our *Health and Safety standards* in section 5.4.4. *Health and safety of our products* of this Report.

5.4.2.2. Selection of materials

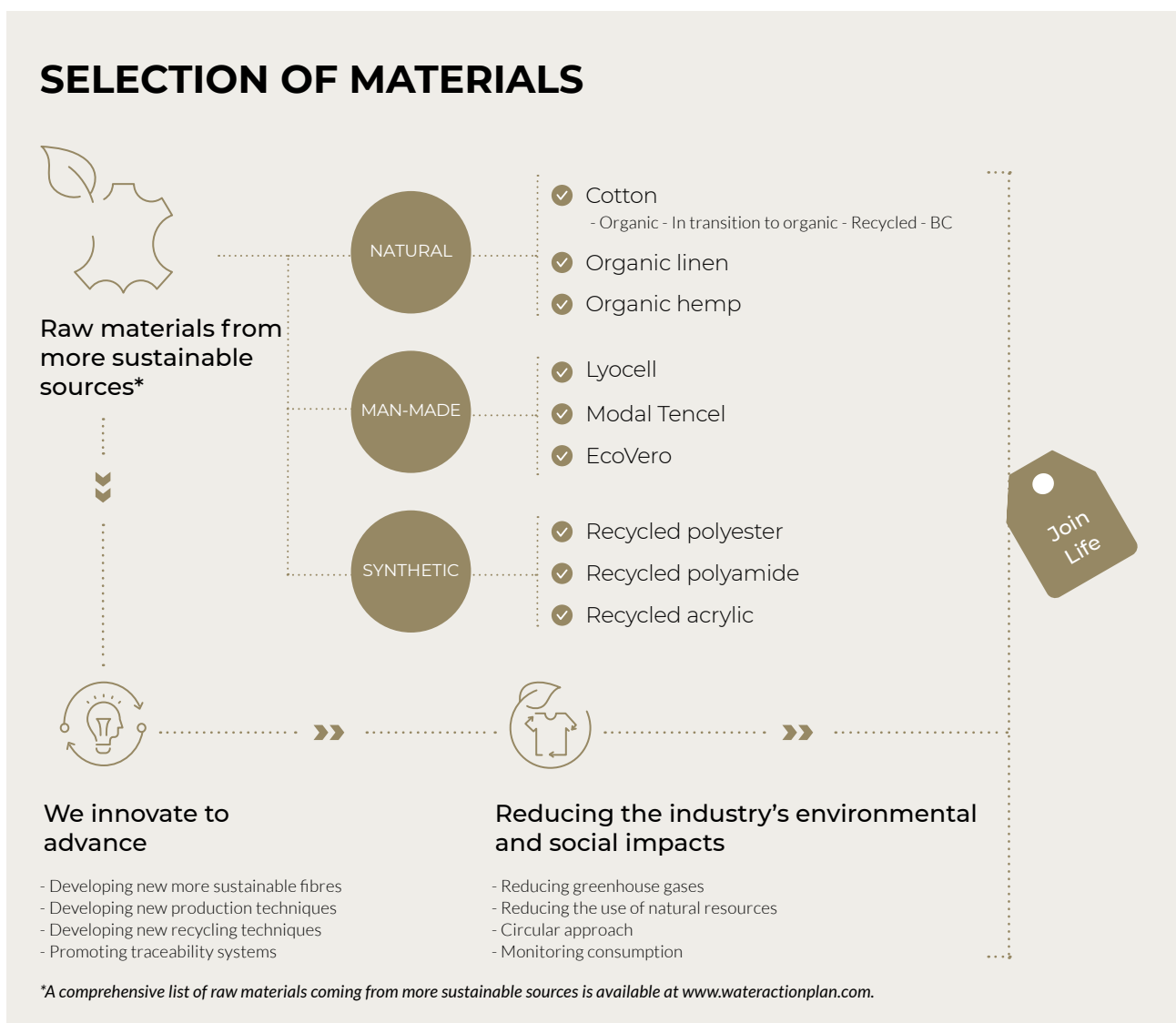
In line with our unwavering commitment to protecting the planet and its ecosystems, reducing the impact on resources and the fight against climate change, **choosing raw materials from more sus-**

tainable sources for our products is paramount.

Furthermore, we invest and work with other organisations and institutions to increase the range of materials with better environmental performance, which make more efficient use of natural resources and contain recycled materials.

These principles and guidelines are set out in key Company documents, such as our Sustainability Policy, our Sustainability Roadmap and our Biodiversity Strategy – based on the principles of the United Nations Convention on Biological Diversity. Likewise, our Forest Product Policy stipulates that any timber used to produce furniture, objects or paper products we sell must come from sustainably managed plantations or certified forests.

📄 More information in section 5.6. *Collaborating to safeguard the planet* of this Report.



Commitments

Our commitment to the protection of ecosystems and the use of more sustainable materials has steadily grown more ambitious in recent years. Thus, at the last Annual General Meeting, held in July 2021, we announced new, even more demanding commitments in this area, highlighting, for example, that by 2023—two years ahead of schedule—**all the cotton used in our products will be organic, recycled of**

from more sustainable sources, and that 50% of our products will be *Join Life* by 2022.

In line with our ambition, and thanks to the efforts of our buying and product teams, this year we have reached the following results in terms of **tonnes of raw materials from more sustainable sources** used in the articles we sell:

Raw material	2021 tonnes	2020 tonnes	2019 tonnes	2018 tonnes
Cotton from more sustainable sources (organic, recycled or other more sustainable sources)	166,195	73,874	38,676	18,851
Polyester from more sustainable sources	26,728	9,594	5,332	1,881
Linen from more sustainable sources	4,201	1,245	1,813	266
Viscose and other man-made cellulosic fibres from more sustainable sources	29,053	8,379	6,692	3,178

By 2023, 100% of the cotton and man-made cellulosic fibres used in our products will come from more sustainable sources, while by 2025 100% of the polyester and linen will come from more sustainable sources.

Thanks to the hard work in this area, in 2021 consumption of raw materials from more sustainable sources represents **42%** of the total consumed, doubling the percentage compared with 2020 (21%).

Innovation

Innovation is key for achieving our sustainability goals. Evidence of this is that Inditex was the only Spanish company to be included in the 2021 ranking of the 50 most innovative companies compiled by Boston Consulting Group (BCG). With regard to materials, our commitment to innovation focuses on fostering permanent **development of new raw materials and technologies that improve their sustainability and subsequent recycling**. In this respect, we collaborate both with renowned academic institutions and with local and international organisations.

Sustainability Innovation Hub

One of the Group's most noteworthy initiatives when it comes to innovation in sustainability is the Sustainability Innovation Hub. We have created this **platform for innovation based on collaborative technology monitoring**, to take an active part in the quest for new materials, technologies and processes that improve the environmental impact of our products and help us to advance towards more sustainable and circular solutions.

The main objective of this platform is to identify and test innovative initiatives to enhance environmental impacts, **for the purpose of scaling them in our supply chain and across the textile industry**.

From the initial *screening* process of startups and subsequent collaboration agreements, various pilot tests are conducted. The materials, technologies and processes that successfully come through this pilot phase will continue to the next stages with the aim of testing their results in the commercial phase and the industry in general. In 2021, we collaborated with more than 145 startups and took part in more than 30 pilot tests to improve produc-

tion processes, aspects of recyclability and recycling, traceability and new materials, among others.

Our impact assessment methodology is based on the analysis of quantitative data obtained through Life Cycle Analysis (LCA), as well as on a qualitative approach that takes into account other aspects such as animal welfare and social issues.

KEY COLLABORATIONS WITHIN THE SUSTAINABILITY INNOVATION HUB

1. Collaboration with the Plug and Play Center tech accelerator to identify the startups best suited to our goals and the programme's philosophy.
2. Agreement with the Fashion for Good innovation platform whereby we work together with other major players in the fashion sector to promote the acceleration of sustainability projects for our industry and society in general.
3. Collaboration with Quantis to measure the environmental impacts of the projects implemented by the startups we partner with.

LanzaTech x Zara startup

In 2021, we offered our customers a series of highly innovative products thanks to our collaboration with LanzaTech Inc. This startup has developed a new CO₂ capture technology to transform carbon dioxide emissions into ethanol, which can then be used to produce new materials like polyester.

The capture and reuse of carbon dioxide emissions from industrial and agricultural processes and household waste limits the direct release of these emissions into the atmosphere and helps reduce the use of virgin fossil resources. Using technology developed by LanzaTech, fibres maintain properties similar to virgin polyester in terms of, for example, quality, performance and care.



Our brands' circularity projects

ZARA

RECYCLING OF PRE-CONSUMPTION COTTON AND WOOL FROM OUR PRODUCTION

The aim of this circularity project is to integrate in new collections the waste generated in the manufacturing process of previous campaigns. This requires working with the supply chain to develop circuits and materials that can be adapted to the quality and design requirements of the brand. Currently, this waste already transformed into new materials is present in certain Zara collections in percentages that vary between a 15% a 50%. At this moment, all Zara sections participate on it.

PULL&BEAR

CIRCULAR COLLECTIONS

For the second consecutive year, we have launched circular collections in which fibres are sourced from used textile garments (post-consumer) and leftovers from our own production. This is a complex process that requires that the garments used —once any chance of re-using them has been ruled out— are classified individually by composition and colour. Once classified, zips, buttons and any other elements that might hamper their subsequent mechanical recycling are removed. Scraps of used fabric, together with textile production leftovers, are turned back into fibres that are carefully spun into the recycled fabrics from which these collections are made. In addition to being environmentally friendly, these circular collections are notable for their:

- **Local impact:** the classification process takes place in textile waste treatment plants equipped with cutting-edge technology located in Spain.
- **Traceability:** all the information concerning recycled leftovers and garments, as well as the various processes involved, is recorded in a blockchain platform.

STRADIVARIUS

TEXTILE TO TEXTILE MECHANICAL RECYCLING PROJECT – R-Denim

The goal of this project is to market denim trousers produced from other garments—mainly also denim—in various colours and shades. The resulting trousers are made of 25% post-consumer recycled cotton, 65% pre-consumer recycled cotton and 10% recycled polyester. The main advantages of this project are:

- **Positive social impact:** involving local social organisations.
- **Positive local impact:** using a proximity circuit of extraction and manufacturing.
- **Zero Waste:** aligned with our zero landfill waste programme.
- **Efficiency:** the washing process involves less water consumption.

TEMPE⁵⁷

CIRCULAR INDUSTRY CV

Aimed at repurposing multi-composition waste (made up of different raw materials), this project seeks ways of reintroducing waste from the footwear sector into other areas of the sector and other value chains, as well as incorporating waste from other areas into the footwear sector. Tempe's involvement in the project consists of assigning various kinds of footwear so that research can be conducted on its recycling at the end of its useful life.

⁵⁷ Tempe is the Inditex Group company accounted for using the equity method, specialising in the design, manufacture and distribution of footwear and accessories for the Group's retail concepts.

ZARA HOME

RECYCLING OUR OWN COTTON WASTE

Also in line with our Zero Waste programme, we have launched in the market a series of towels made from mechanically recycled cotton threads from leftovers of our production. These leftovers are shredded and prepared through a complex recycling process to turn them back into a fibre with the right texture, resilience and feel, which is then blended with 50% virgin fibre to obtain a new cotton yarn with which to weave the new towels.

Obtaining quality thread from recycled fibre can be highly complex. However, thanks to a joint effort with highly experienced recyclers and spinners, we have been able to increase the recycled content from the initial 15% to the current 50%. This project continues, with new models and designs in the pipeline.

GREENSHOES4ALL

We continue to work on this European project that aims to implement, demonstrate and disseminate a methodology to measure the environmental footprint of footwear and to promote the development of efficient eco-design, recycling and manufacturing solutions that help to improve it. Tempe contributes to this initiative by providing data on our footwear models —composition, size and type— with 21 product inventories having so far been completed including the type and quantity of raw materials used, waste generated, energy consumed in the manufacturing, distribution and sale of products, etc.



5.4.2.2.1. More sustainable raw materials

2021 MILESTONE

The consumption of more raw materials from more sustainable sources represents **42%** of the total consumption in 2021.

Organic cotton

Organic cotton is cotton that has not been genetically modified and where only natural fertilisers and pesticides have been used during cultivation. As indicated by Textile Exchange, this cotton needs less water than conventional cotton. It also enhances soil quality with more nutrients that retain moisture requiring less watering, promotes biodiversity and seed diversity, as well as exclusive use of natural fertilisers and pesticides, resulting in better conditions for farmers and their families.

a) Natural fibres

Cotton

We are committed to achieving a 100% of the cotton used in our products to be organic, recycled or from more sustainable sources (BC or in conversion cotton, among others) by 2023, two years ahead of our previous target, and the target set through the 2025 Sustainable Cotton Challenge initiative of the non-profit organisation Textile Exchange, a benchmark in the sector, of which we are a member. In 2021, we made significant strides on this front, and 65% of the cotton used by the Group is more from more sustainable.

Organic cotton production currently accounts for less than 1% of global cotton production. In accordance with our goal of increasing the use and availability of organic cotton, we are one of the founding partners of the Organic Cotton Accelerator (OCA) initiative, which aims to support organic cotton producers to grow the sector in a sustainable way and to benefit all stakeholders, from the farmer to the end consumer and society as a whole. We have ramped up our own sourcing of the OCA cotton by 200% compared to previous year.

COLLABORATION WITH ORGANIC COTTON ACCELERATOR (OCA)

We are a founding partner of OCA, a multi-sector initiative that supports cotton farmers to ensure sustainable development of the sector, where both the farmer and the consumer benefit.

How the Organic Cotton Accelerator works

COLLABORATION

Transparency regarding the source of the cotton enables us to improve farmers' way of life, while at the same time managing the integrity of organic cotton.



SUPPLIERS AND PRODUCERS

Farmers are at the centre of the programme, working directly with a field specialist who **regularly visits** farmers throughout the process, to help them with **training and follow-up**, from growing to selling the cotton.



+9,300 farmers participate in our programme with OCA

Social and environmental benefits



Increased organic matter in the soil, due to organic pesticides and fertilisers, as well as crop rotation.



Improved water quality, with cleaner aquifers for farmers and their communities.



Improvement of animal welfare and highlighting the relevance of livestock as a generator of inputs necessary for organic crops.



Greater economic stability and equity for farmers and their families.

Photos: OCA

Inditex strongly backs in-conversion cotton as a tool to foster the cultivation of organic cotton.

In-conversion cotton

For farmers, transitioning from growing conventional cotton to organic cotton is a process that may be complex, and many therefore hesitate to make the leap. To help foster this process of transition to organic cotton, the Group supports so-called in-conversion cotton, which is cotton grown using 100% organic practices in fields where the required time has not yet elapsed to eliminate from the soil all traces of the synthetic chemicals that might have been used.

BC cotton

Inditex also cooperates with Better Cotton (BC), whose mission is to help cotton communities thrive, while helping to protect the environment by implementing practices that lower the environmental impact compared with conventional growing practices. BC seeks to foster a holistic approach to sustainability, the aim being to promote a more environmentally-friendly cotton supply chain. It is also a standard that can be quickly adopted by conventional farmers, enabling the transition to lower-impact cotton production models.

Inditex takes part in this organisation’s Retailer and Brand Traceability Panel working group, set up to implement systems that allow chronological documentation and trace evidence to track the movement of products through the supply chain.

b) More sustainable man-made fibres

Protecting forests is key to fight climate change and to prevent the loss of biodiversity. Always at the forefront of best practice in the textile industry, at Inditex we are committed to ensuring that the cellulosic fibres we use to create our fabrics—lyocell, viscose and modal—come from sources that do not pose a risk to the planet’s primary and endangered forests.

In this regard, the Group only uses suppliers of cellulosic fibres designated as ‘green shirts’ in the Hot Button Report by Canopy, an international organisation with which we have been cooperating since 2014 whose mission is to protect primary forests. For a manufacturer to earn ‘green shirt’ designation, it must prove that its fibres do not pose a supply risk to primary or endangered forests.

Moreover, **100% of the man-made cellulosic fibres we use by 2023 will be from more sustainable sources**, supporting the responsible viscose commitment by the Changing Markets organisation in its Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing, which is currently activated and underway at all of our suppliers.

c) Recycled materials

Using recycled materials enables us to improve certain of our products’ impacts by, for example, reducing the consumption of natural resources required to manufacture and/or treat them, and by fostering the use of the waste generated. For example, via the Sustainability Innovation Hub, we are researching alternative, innovative and sustainable materials based on second- and third-generation waste that enables us to fulfil the specific technical and durability requirements of certain products.



100%

MAN-MADE CELLULOSIC FIBRES FROM MORE SUSTAINABLE SOURCES

100% of the man-made cellulosic fibres we use by 2023 will be from more sustainable sources

Regarding recycled polyester, Inditex aims to achieve its supply in a timely and cost-effective manner in line with our goal of using 100% polyester from more sustainable sources by 2025. We have also signed up to the 2025 Recycled Polyester Challenge, a joint initiative of the Textile Exchange and the UN Fashion Industry Charter for Climate Action, which aims to accelerate the use of recycled polyester to help reduce the sector’s greenhouse gas emissions.

Thanks to our efforts this year, we have managed to place a total of 41,317 tonnes of recycled materials on the market, 187% more than in 2020.

ULTRAMID® CCYLED™ BY BASF

100% Recycled polyamide made from tires

BASF and Inditex, under the framework of a pioneering research alliance in the textile industry that began in 2019, are working on industrial-scale research and development of textile recycling solutions with two approaches: textile and non-textile waste. In line with the non-textile waste approach and under specific cooperation agreements with BASF's Polyamide business unit, work is being done on the commercial development of the first Polyamide 6 and 6.6 (Ultramid® Cycled™) used in the textile industry. The technology partners use exclusively end of life tires as feedstock at the beginning of the chemical recycling process transforming it into a raw material that can be used instead of fossil raw materials at the beginning of the value chain. The share of recycled material is third-party audited. Its commercial launch is scheduled for Zara and Oysho in the first half of 2022.

Jointly, Inditex and BASF work for further circularity solutions for textiles on industrial scale.

5.4.2.2.2. Consumption of raw materials

In 2021, we used a variety of different raw materials. For information purposes, all these raw materials have been grouped, according to their origin, into two main categories: **fibres and non-fibres**.

Raw materials	2021	2020	2019	2018
Fibres	88%	88%	89%	88%
Non-fibres	12%	12%	11%	12%

Furthermore, the fibres category has in turn been divided into three groups: **natural fibres**⁵⁸, **synthetic fibres**⁵⁹ and lastly, **man-made fibres**⁶⁰, the weight of which in terms of consumption was as follows in 2021:

% of total fibre consumption				
Fibres	2021	2020	2019	2018
Natural	55%	52%	50%	49%
Synthetic	36%	38%	38%	39%
Man-made	9%	10%	12%	12%
Total	100%	100%	100%	100%

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



58. Natural fibres are filaments that can be threaded to obtain strands, threads or twine.

59. 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.

60. 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.

5.4.2.3. Raw material control

At Inditex we have **strict health and safety standards**, such as *Clear to Wear* (CtW) and *Safe to Wear* (StW), which must be met by all the raw materials we select from the supply stage (this applies to fabrics, leathers, piping and appliqués, among others).

To ensure the thorough inspection of the product and prevent potential non-conformities with our product health and safety standards, we supplement the control of our *Picking Programme* with a network of internal control laboratories that perform testing according to the most stringent international standards. We have an internal analytical structure with six laboratories and the necessary technology to analyse 18 substances and parameters regulated under the *Clear to Wear*, *Physical Testing Requirements* and *Safe to Wear* standards. At these facilities we also oversee the conformity of fabrics with the health, safety, and quality parameters of our standards.

① More information in section 5.4.4. *Health and safety of our products* of this Report.

The List

In 2013, *The List*, by Inditex was launched with the aim of partnering with the chemical industry to **improve the quality of the chemicals used** to manufacture articles and to enhance the health and safety control policies applied to our suppliers and manufacturers. Through an exhaustive evaluation of the manufacturers and their chemical products, *The List*, by Inditex classifies the latter according to the degree of compliance with the *Clear to Wear* standard and the *Zero Discharge of Hazardous Chemicals* (ZDHC) commitment, ensuring compliance with the chemical restrictions of both standards.

The use of the products with best classification in *The List*, by Inditex guarantees compliance with our requirements, which go beyond the ones of the Manufacturing Restricted Substance List (MRSL) and the conventional Restricted Substances List (RSL).



The huge potential of this programme is reflected in the high level of support it has received from chemical manufacturers linked to the textile and leather industry.

As part of our continuous improvement process, in 2021 we have continued to extend the case studies (to ascertain the relationship between the content of the restricted substance in a chemical product and the content after its industrial application) of the substances included in *The List, by Inditex*.

At the same time, we have continued to work with ZDHC to complete the integration of *The List* into their platform and to develop and enhance new standards of chemical certification.

① More information in section 5.4.4. *Health and safety of our products* of this Report.

5.4.3. Join Life programme

GRI 103-2 AND 417-1

2021 MILESTONE

In 2021, **47%** of our articles placed on the market are Join Life.

At Inditex, we continuously work on our commitment to sustainability to transform the industry by reducing its environmental impact and contributing to the Sustainable Development Goals. Our *Join Life* label identifies the Group's products that use **more sustainable raw materials and more environmentally-friendly production processes**.

For the creation of a *Join Life* article, we use only those suppliers who have obtained the highest scores (A or B) in accordance with the Group's social and environmental standards or, failing that, who demonstrate a firm commitment to improvement by pledging to implement a Corrective Action Plan. Our *Join Life* products are classified into one or more of the following categories in accordance with their environmental benefits: Care for Fiber, Care for Water and/or Care for Planet.

① More information about our assessment processes and Corrective Action Plans in section 5.5.1. *Sustainable management of the supply chain* of this Report.

The *Join Life* label is a fundamental aspect of the programme and enables us to share with our customers detailed information on our products and the environmental excellence properties associated with them. In this connection, in 2021 we updated our *Join Life* labels to offer the best shopping experience and information to customers:



OUR JOIN LIFE LABEL

CARE FOR FIBER

We use the Care for fiber label for garments produced using **raw materials from more sustainable sources**, such as organic cotton or recycled fibres, among others.

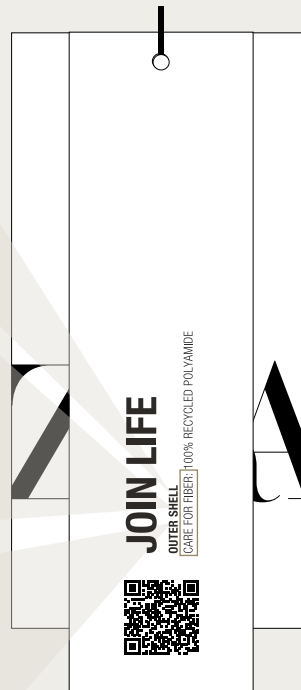
CARE FOR WATER

Garments produced using technologies that **reduce water usage in their production processes**. The garment dyeing and washing processes use the largest amounts of water. The use of closed cycles that allow for water reuse or technologies, such as ozone or cold pad batch help us to preserve freshwater resources.

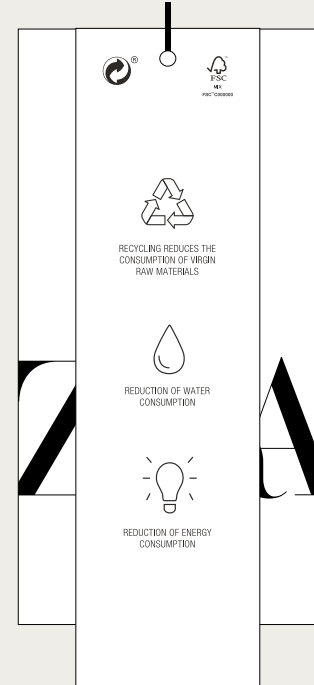
CARE FOR PLANET

Articles produced using processes that help **reduce emissions and/or the use of chemical products** in production processes. The use of technologies such as renewable energy consumption or have been certified by Leather Working Group enable us to carry out washing, dyeing or tanning processes in a more sustainable way.

FRONT



REVERSE



- ✓ The **front** on our **Join Life** label shows the category that the article belongs to (Care for Fiber, Care for Water and/or Care for Planet) and its **main environmental attributes**.
- ✓ Our Join Life labels have a **QR code** that customers can scan to obtain detailed product information.

- ✓ The **reverse side** of our Join Life label features information on **environmental benefits**.
- ✓ The label is made of **100% recycled paper**, or certified by the **Forest Stewardship Council (FSC)**.

Examples of some environmental benefits of our *Join Life* articles:



Reduction of water consumption



Recycling reduces the consumption of virgin raw materials



Reduction of energy consumption



More sustainably managed forests



Produced with ecologically grown methods



Reduction of emissions



Produced using renewable energy



Produced promoting the recycling of our own textile waste



FOR MORE INFORMATION

about Join Life, visit the corporate website.

At the Annual General Meeting held in July 2021, we also announced our ambition to label **50% of the articles we place on the market Join Life by 2022**, a significant increase on our previous pledge (25% *Join Life* products in 2020). This year, 47% of our articles were labelled under our *Join Life* standard.

	2021	2020	2019	2018
<i>Join Life</i> articles placed on the market	47%	38%	19%	9%



JOIN LIFE STANDARD

Suppliers

Suppliers who have obtained the highest scores (A or B) in accordance with the Group's social and environmental standards, or who demonstrate a firm commitment to improvement by implementing a Corrective Action Plan (CAP).

Materials

Materials certified to international standards: OCS or GOTS, RCS or GRS, RWS, RJC, FSC®100%, FSC® Recycled, among others.

Traceability

More sustainable **raw material traceability**.

Packaging

Compliance with Join Life criteria in the primary container (candle glass, glasses case, etc.).

Join Life guideline requirements

TEXTILE AND FOOTWEAR

Care for Fiber

Care for Water

Care for Planet

JEWELLERY, GLASSES AND OBJECTS

Care for Planet

5.4.4. Health and safety of our products

GRI 103-2; 103-3; 416-1; 416-2; 417-1 AND AF5

A relevant and essential aspect for us is to ensure that all the articles we sell are **safe and healthy**. In particular, in the context of health and safety, we have specific product standards that allow us to ensure that all the articles we market are free of health, safety and environment risks. In this regard, we have a team of scientists and technology experts who monitor and review health and safety regulatory developments, identify chemical substances used in the industry and evaluate every process in the manufacture of our products.

We uphold our commitments to the Sustainable Development Goals, also in relation to Good Health and Well-being and Responsible Consumption and Production, with health and safety standards which aim to guarantee the **highest quality and safety of chemical products** used in the supply chain and to foster safer alternatives for human health and the environment.

These standards are of **general mandatory application** to all the articles⁶¹ we manufacture and sell, and serve as a benchmark for the manufacturing practices of all the suppliers across our entire supply chain. We also continuously review their specifications to ensure they comply with new legal requirements, our commitments to sustainability, and to increase their scope by adapting them to new types of articles we market.

To verify compliance with these standards, we work with technology companies, research centres and laboratories of international reference to verify that they are being properly applied by using our own innovative programmes that include:

- The **analysis** of both the finished articles and the chemical products used in their production.

- The carrying out of **audits** both in the factories that manufacture our articles, as well as in the facilities that produce the chemical products which are subsequently used to manufacture them.

The manufacturing process of our articles entails various stages of treatment and transformation of the raw materials in which these are exposed to the application of chemical products such as dyes, pigments and other ancillary products before reaching the finished product stage. Therefore, our requirement extends to the chemical industry, responsible for producing chemical products used in the textile and leather industries within the framework of *The List, by Inditex* programme.

[More information in section 5.4.2.3. Raw material control of this Report.](#)

Based on the premise of striving for excellence in our products, our teams of scientists and experts in technology:

- Monitor **regulatory developments** in connection with health and safety.
- Identify the **chemical substances** used in the industry.
- Carefully examine our **manufacturing processes**.

As a result, we have managed to go beyond conventional Restricted Substances Lists and ensure that our health and safety requirements are the most exacting.

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

DIFFERENCES BETWEEN PRODUCT HEALTH AND PRODUCT SAFETY

Product health

- ✓ Means that the final product does not contain any hazardous substance that might affect customers' health.

Product safety

- ✓ Means that the garment's design and characteristics do not pose risks that could affect customers' physical integrity.

61. Articles that are outside the scope of Inditex's health and safety standards are, nevertheless, subject to minimum requirement reports specifically compiled in accordance with the statutory requirements which apply to the type of products and the markets where they are sold.

PRODUCT HEALTH AND SAFETY CONTROL PROCEDURES

Ongoing improvement

- ✓ Recovery of productions
- ✓ APPLABs
- ✓ Collaborations
- ✓ Internal training
- ✓ R&D

Generating knowledge

- ✓ Analysis optimisation
- ✓ Root Cause Analysis (RCA)



Standards

- ✓ Clear to Wear (CtW)
- ✓ Physical Testing Requirements (PTR)
- ✓ Safe to Wear (StW)
- ✓ I+Cosmetics
- ✓ I+FCM
- ✓ I+Home Fragrances & Candles
- ✓ I+Child Care Furniture

Prevention

- ✓ Good Manufacturing Practices (GMP)
- ✓ Training in the supply chain
- ✓ Green to Wear
- ✓ The List

Control

- ✓ Design
- ✓ Checking the raw material
- ✓ Picking programme
- ✓ Minilabs

of our products, specifies the chemical substances that are subject to specific restrictions or whose use is prohibited.

① More information in section 5.4.2.3. Raw material control of this Report.

Furthermore, all the information generated by our **control programmes** (*Picking, Minilabs*, among others) allows us to identify new substances used in the textile and leather industry, thus enabling us to continuously assess their chemical safety.

Based on the premise of striving for excellence in our products, we develop initiatives that are conducive to **generating knowledge**. We therefore carry out Root Cause Analysis (RCA) when an article fails to comply with any of the requirements laid out in our standards, and we work with researchers specialising in the sector to develop predictive tools to optimise the analysis process.

The knowledge we acquire through these programmes is of vital importance for the Group, since it positions us as standard-bearers, not only for our manufacturers but for the industry as a whole when it comes to ensuring production health and safety. In our view, this is another way to foster the transformation of our industry.

At Inditex we are committed to **continuous improvement** through collaboration initiatives, proprietary programmes (APPLABs), R&D and training.

In this context, after participating actively in the AFIRM group, in 2021 we have endeavoured to align our *Clear to Wear* (CtW) product health standard with the rest of the textile and leather industry. We are convinced that these efforts strengthen the identification and elimination of chemical substances of concern in the supply chain. In this way, we will be able to ensure the same level of requirements and chemical substances management is used in manufacturing at all the facilities in the supply chain regardless of which brand they work for (*Clean Factory Approach*).

5.4.4.1. Our product health and safety standards

At Inditex, in addition to compiling the different requirements within the international framework, we wanted to go a step further by creating lists that provide additional information to the conventional Restricted Substances Lists (RSL). Our own standards are used as reference manuals in the industry, to which we provide addition-

al knowledge that identifies regulated substances and controls manufacturing processes, while at the same time we propose the use of alternative technologies to prevent non-conformities. Thus, we inform our entire supply chain of the health and safety requirements that all our articles must meet from the earliest stages of design before production begins.

At Inditex we have gone one step further by creating advanced standards that convey fundamental knowledge to ensure that the product meets all health and safety requirements.



Clear to Wear (CtW)

Our *Clear to Wear* (CtW) health standard regulates substances and parameters legally restricted for use and restricts the use of some substances not included in current legislation that could potentially be a health hazard. Likewise, it includes the European REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals). Compliance with this EU regulation is mandatory for our suppliers. Accordingly, *Clear to Wear* is **consistent with the most existing product health legislation**. In this regard, we work in partnership with scientific and technological advisers, research centres and academic institutions.

This standard is mandatory for all our apparel, footwear and accessories, including trimmings and fabrics used in their manufacture.

During the process of designing the update of CtW 2021, we evaluated more than 1,800 substances, focusing especially on their consequences for human health and the environment. We also examined their potential use in the various manufacturing stages within the textile and leather industry.

Back in 2020, we already enhanced the CtW format so as to make it easier to understand the requirements

in the supply chain. And in 2021 we have implemented the CtW 2021 update and we have published a version of it in six languages (English, Spanish, French, Turkish, Chinese and Portuguese) to make it easier to understand in the supply chain. In this context, it is worth noting that the physical parameters laid out in editions prior to the 2021 CtW have now been incorporated into a new standard known as Physical Testing Requirements (hereinafter, PTR). Accordingly, the 2021 CtW standard refers solely to chemicals.

Physical Testing Requirements (PTR)

The first edition of PTR, our own physical testing standard, was published in 2021. It was devised as a result of splitting the edition of CtW 2018 so as to compile more independently the **physical-chemical parameters linked to textile quality testing**.

In this respect, the emergence of this quality standard is related to our active involvement in the creation of the European *Product Environmental Footprint* (PEF) methodology, associated with product durability and which includes some of these physical quality parameters.

Safe to Wear (StW)

Our *Safe to Wear* (StW) standard regulates design, the fastening degree of small parts, sharp edges and sharp points in clothing for children, and restricts parameters such as flammability in articles for both children and adults. *Safe to Wear* was drafted in accordance with the most exacting product safety legislation, for which purpose we have worked with international experts in children safety.

This standard is mandatory for all our apparel, footwear and accessories, including trimmings and fabrics used in their manufacture.

Moreover, in 2021 we have published the first edition of our *Safe to Wear* for Children's Footwear safety standard, specifically designed and generally applicable and mandatory for all children's footwear, which further reinforces the requirements for footwear included in the *Safe to Wear* standard.

I+Cosmetics

Our health standard for cosmetic products, I+Cosmetics, regulates parameters and substances whose use is legally restricted, as well as limiting the maximum amount of impurities permitted in the starting materials. Its application is mandatory for our entire range of cosmetic products.

I+Cosmetics has been developed in accordance with the most stringent product health legislation in the cosmetics sector, for which we have worked in collaboration with scientific and technological advisers, research centres and academic institutions.

I+FCM

Our I+FCM standard governs the health and safety of all **products that are in contact with food**. This standard governs the parameters and substances whose use is restricted by law for all types of materials used in articles in contact with food (plastic, crockery, glass, metal, paper or wood, among others). It also restricts the transmission (in ordinary or foreseeable use conditions) of the constituent chemicals of the articles to the food they are in contact with. Its

application is mandatory for our entire range of products in contact with food.

I+FCM has been developed in accordance with the most stringent food health and safety legislation, for which we have worked in collaboration with scientific and technological advisers, research centres and academic institutions.

I+Home Fragrances & Candles

Our product health and safety standard I+Home Fragrances & Candles is mandatory for all our **household fragrances** (including candles and incense, among others). It governs the safety parameters and substances whose use is legally restricted.

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

In 2021 we published the second edition of this standard, incorporating the most relevant regulation changes in relation with product health and safety.

I+Child Care Furniture

Our I+Child Care Furniture product health and safety standard is mandatory for all our childcare articles, such as changing tables, high chairs and cribs. It governs the safety parameters and substances whose use is legally restricted.

As with all our own standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to user safety.

5.4.4.2. Prevention

Good Manufacturing Practices (GMP)

Good Manufacturing Practices (GMP) aim to **define and control the activities** to be carried out at each stage of production, to ensure that products are manufactured in compliance with quality standards, as well as with the requirements of our product health and safety standards.



Good Practice Guidance for the prevention of Cr(VI) formation in chrome tanned leather

As part of our continuous support to our supply chain for a proper implementation of the requirements of our Green to Wear programme, it is necessary to develop and make available tools and recommendations.

Among the requirements for facilities carrying out post-tanning processes for chrome tanned leathers, the most common tanning procedure in the textile industry, noteworthy are those related to good manufacturing and parameters control, and the use of additional antioxidant treatments for the prevention of hexavalent chromium or Cr(VI) formation.

In 2021, we have published the GMP guidelines for leather articles at facilities that carry out post-tanning processes of chrome-tanned leathers, in four different versions, according to the type of article being manufactured.

Best practices guidelines for cross-contamination prevention

Over the course of this financial year, we have observed through the various control programmes, such as the *Picking* programme and the subsequent Root Cause Analyses (RCA), incidents in some of Inditex’s productions, not due to the intentional use of banned products, but

as a result of cross contamination from previous productions in which products not authorised by Inditex had been used.

As a consequence, we have developed GMP guidelines to inform suppliers about the problem linked to these substances and specific actions to prevent their occurrence.

Training plans for the supply chain

In the Health and Safety area, we are convinced that the training of our supply chain is the vital first step to achieve product conformity and, as a result, to also drive improvements in the industry.

Within the framework of the action plans to support our supply chain suppliers or manufacturers who carry out wet processes involving chemicals (dyes, pigments and ancillary products) and to improve the understanding of the practices required for the proper selection, purchase, handling, storage and use of this type of products, training and advice activities are developed in the main production clusters.

5.4.4.3. Control

Picking programme

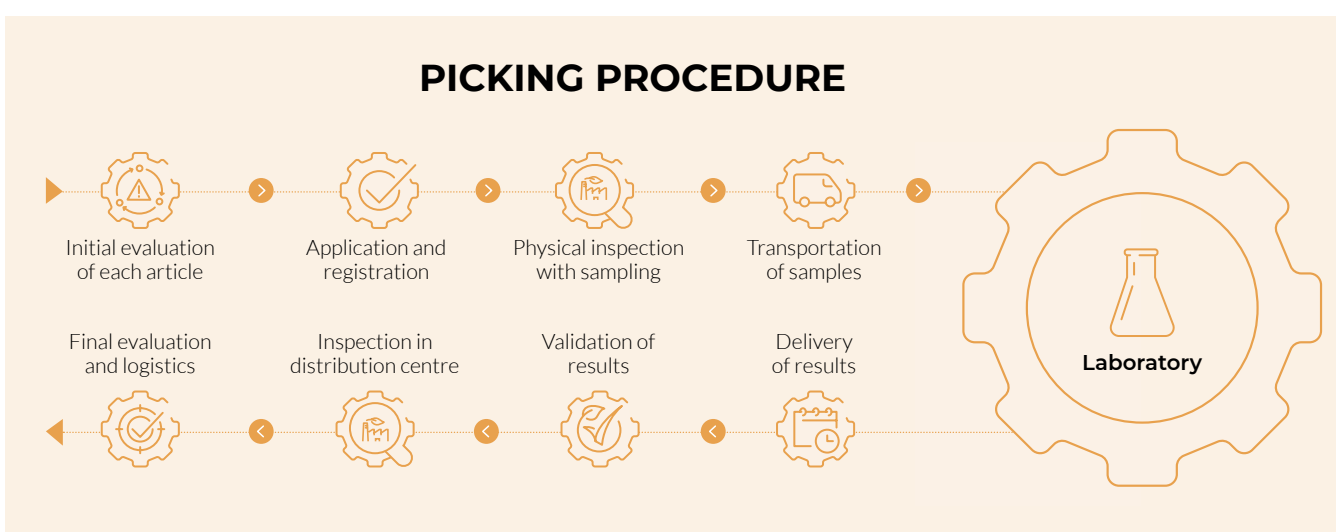
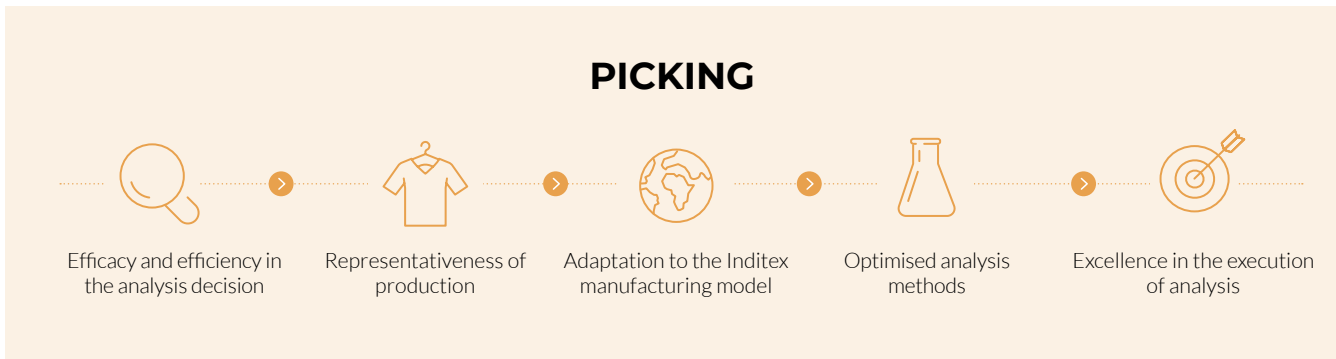
In 2021, **49,999 Picking inspections** have been carried out, with 792,582 analyses and tests performed⁶².

Picking is a control and analysis programme which seeks the effective **identification of non conformities** in articles through the involvement of scientific and technological advisers and the support of benchmark international suppliers of analytical services.

Specifically, the goal of *Picking* is to verify compliance

with our health and safety standards before production is distributed. The process involves an external certifying company collecting samples at factory and/or supplier sites for subsequent analysis, as well as the use of external laboratories with proven competence through our APPLABs programme.

In addition to the verification of Inditex's production, the *Picking* programme allows us to provide the analytical support necessary for the issuance of product certifications for safe import into certain markets.



62. In 2020, 42,856 inspections and 744,404 analyses were carried out; in 2019, 56,352 inspections and 899,046 analyses were carried out; and in 2018, 63,420 inspections and 933,980 analyses were carried out. In 2020, the number of inspections and analyses decreased sharply due to the impact of the pandemic lockdowns in certain manufacturing countries, and this did not respond to a change in the risk assessment strategy.

Minilabs

In 2021, **3,753 Picking inspections** were performed with **Minilabs**, carrying out 33,325 analyses and *screening* tests⁶³.

As a complement to our *Picking* control and analysis programme, we have launched the so-called *Minilabs*. **These portable laboratories are the size of a suitcase** and can carry out up to six *screening* tests for substances and parameters regulated in the *Clear to Wear* and Physical Testing Requirements standard at any one time. The portability and ease of implementation makes this mini-laboratory a highly versatile tool for detecting non-compliance with these standards at any stage of the production process.

Early detection provides us a considerable advantage when it comes to correcting problems, as the article can be reprocessed before it leaves the supplier's premises, thus minimising the impact of transporting potentially non-compliant articles. It is also a basic tool for raising awareness since tests are performed in front of the supplier.

5.4.4.4. Generating knowledge

Analysis optimisation

Within the framework of the *Picking* programme, Inditex teams up with researchers specialised in the textile industry to develop **statistical prediction tools** for manufacturing technologies which carry a greater risk.

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

Root Cause Analysis (RCA)

The Root Cause Analysis (RCA) programme involves different **technical audits** carried out by textile and leather technology experts to identify the source of non-compliance in wet process facilities (dyeing, washing, tannery, printing) and propose a specific corrective action plan to avoid recurrence in future production.

These audits are deployed as soon as we detect a restricted chemical in the *Picking* control programme. The resulting information feeds the rest of the preventive and control programmes to reinforce, on the one hand, the transmission of knowledge to the rest of the supply chain, so as to avoid repetition (thanks to initiatives as *The List*, Green to Wear or Clear to Wear) and, on the other, to reinforce controls by identifying risk components/technologies. In 2021, **17 RCA audits** were conducted.

Evolution of non-conformities detected

	2021	2020	2019	2018
Chemical products classified as "C" in <i>The List</i> , by Inditex or without prior controls applied suited to manufacturing	12%	45%	89%	79%
Cross contamination	23%	11%	11%	13%
Restricted substances in raw materials conditioning	0%	11%	0%	2%
Inadequate manufacturing procedure	6%	0%	0%	0%
Non-conclusive	59%	33%	0%	4%

63. In 2020, 2,671 inspections and 27,431 *screening* analyses were carried out; in 2019, 2,977 inspections and 36,929 *screening* analyses were carried out; and in 2018, 1,276 inspections and 17,212 *screening* analyses were carried out.

Having procedures in place to avoid rejection of non-compliant production by eliminating the problematic substance is a key tool for product sustainability.

5.4.4.5. Continuous improvement

Recovery of productions

We have designed and implemented an advanced and comprehensive product health and safety oversight strategy that includes **preventive programmes and a rigorous production control** of our supply chain. This enables us to guarantee that the final product complies with our standards, but sometimes there may be non-conformities that affect the chemical safety of production. In these cases, we are obliged to investigate, learn and develop methodologies that allow us to reduce the production discarded due to non-conformities with our standards. For this, we work with our scientific and technological partners to recover them by means of eliminating the substances causing the non-conformity, avoiding the rejection of the affected goods. Due to this collaboration, we have implemented production reprocessing protocols for cases in which substances such as arylamines, phenols, formaldehyde, phthalates, and dimethylformamide are present, or parameters such as colour fastness or pH.

APPLABs

To establish whether a production meets our standards, having trust on external testing laboratories

that assess our articles is crucial. Given how stringent our requirements are, it is very important to control the laboratories in our analytical network so that they work in a standardised way, pursuing always the highest precision and accuracy in the final result. Confidence in these laboratories is based on the external laboratory approval programme called APPLABs.

A total of **38 on-site audits were conducted of external laboratories**, in addition to 35 comparison exercises, which involved analysing 6,653 samples.

In 2021, we continued the process of outsourcing laboratory audits. To this end, we designed a specific audit procedure to inspect the most critical in-laboratory processes, and the auditors received training for its correct performance. This led to a significant increase in the number of external laboratories inspected, and with it the inclusion of new laboratories in our trusted analytical network. Similarly, the number of substances and parameters monitored has been increased with correlation exercises. Following the trend of past year.

38

ON-SITE AUDITS

of external laboratories



6,653

SAMPLES ANALYZED



APPLABs



Audits

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



Monitoring

Monitoring results by means of proficiency or correlation exercises **to verify the response and competence in the execution of analyses remotely at any time.**



Technical Committees

Creation of specific **technical committees**, resolution of detected problems, testing methodologies optimization or **development of new analysis** methods among others.

Collaborations

Insofar as we have a global supply chain that is shared with other retailers, it is vital to **align requirements between different industry players** to ensure compliance on health, safety, environmental sustainability and facility upgrades. Our experience from our various programmes has given us valuable knowledge so as to avoid the use of restricted substances throughout the supply chain. We share this experience through our involvement in initiatives such as *Zero Discharge of Hazardous Chemicals* (ZDHC), of which we are Board members, Sustainable Apparel Coalition (SAC) or AFIRM Group. We also collaborate with a number of prestigious technological centres and universities.

Moreover, participating in Greenpeace's *Clean Factory Approach* encourages us to work in a collaborative environment by sharing our experience with the rest of the industry and enhancing our own knowledge through the experience of other retailers.

① More information in section 4.4.2. *Partnerships of this Report*.

Internal training

With regard to raising awareness among our design and buying teams, we have strengthened product health and safety areas across all our brands for the purposes of:

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

In 2021, **13 training sessions** were provided to 296 attendees from internal design and buying teams and the department of product health and safety itself. This training is conducted in partnership with academic institutions and scientific and technological experts.

R&D

R&D is one of the cornerstones of continuous improvement for safer and more sustainable products. The scope of our **R&D activities** ranges from the creation of new advanced analytical methods to the design of technical solutions required by other areas of the Company:



Development of an analytical methodology for the detection and quantification of phenolic- lipid antioxidants in leather

The use of phenolic-lipid antioxidants in leather is one of the most successful strategies to ensure a Cr(VI)-free material. Having a method of analysis in place makes it possible to monitor that the implementation process is carried out properly, as well as to detect when it is not.

Improved method of analysis of organochlorinated compounds in chemicals and textiles

The official international method of analysis produces false positives for organochlorinated compounds in certain specific matrices. Developing a new method will mean being able to measure organochlorinated compounds without incurring false positives.

Development of a test (Propensity Test) to determine whether a fatliquor agent presents risks related to the generation of hexavalent chromium

Using fat liquors that are not protected against auto-oxidation is one of the most common causes of Cr(VI) formation in leather. This test will allow tanneries to check whether a fat liquor is properly protected before using it in leather production.

Fine-tuning solid-state dye doping technique for correlation studies

Correlation studies are essential to define the risks of chemicals. Using the doping technique, correlation studies can be carried out for all kinds of restricted substances, even those where it is difficult to find commercial chemicals that contain them in the concentrations of interest.



5.4.5. Use and end-of-life of products

GRI 103-2; 103-3; 306-1; 301-1; 301-2; 301-3; AF18; AF19 AND AF20

To ensure our products generate the least possible impact from start to finish, at Inditex we also implement a number of projects in connection with the use and end-of-life phase. Consistent with our **unwavering commitment to circularity and the optimisation of natural resources**, we highlight, for example, our innovation initiatives to reduce the release of microfibres; the *Closing the Loop* programme for the collection of used consumer garments with the aim of giving them a second life; or the *Green to Pack* programme, aimed at optimising the use of *packaging*, while facilitating their recycling and improving their transport.

5.4.5.1. Minimising the impact in the use of products

Our aim is to increase the useful life and reduce the impact in the use of our products. To achieve this, we carry out a number of projects to **improve their functionality, usability and re-usability**, in line with our circularity strategy.

Using resistant materials, with better dyes and finishes that seek to ensure physical durability, increasing the versatility and functionality of the products, or increasing the emotional bond with garments through customisation, among many others, are just some ways to reduce the impact in product use and extend product life.

Projects related to reducing environmental impact in the use of products

- Optimising systems and partnerships with third parties within the *Closing the Loop* programme for collection of used garments.
- Research to identify materials that require less maintenance.
- Training for buying teams, focusing on more sustainable raw materials and wet processes, to foster a more sustainable product.
- Research to promote maintenance with a lower impact.
- Research to measure and reduce the release of microfibres when washing the garment.
- Research to increase the usability of garments.

Microfibres

At Inditex, acknowledging textile fragmentation as a priority area for research into the issue of microfibres, we have developed a specific multidisciplinary research programme aimed at broadening knowledge and developing and implementing sustainable

We are a member of the Microfiber Consortium, a global initiative which focuses on developing practical solutions regarding microfibres for the textile industry.

and impactful solutions to the challenge that microfibre shedding represents for the environment and health. In this regard, in 2021 we intensified our work with internationally renowned universities and research centres in three areas of action (eco-design, processes and end use), while joining forces with leading industry players through industrial partnerships and international consortiums.

Eco-design

In eco-design, our focus is on researching and promoting design and manufacturing options that reduce microfibre shedding, as well as training our teams in sustainable design.

In 2021, we prioritised work to produce fibres from recycled waste such as tyres and plastic *packaging* and the replacement of synthetic fibres in textile fabric structures with higher microfibre shedding rates.

Processes

We endeavour to identify all those manufacturing processes that lead to the highest microfibre shedding rates in order to implement specific measures.

In this line:

- As part of our Green to Wear standard, it is a mandatory requirement for all wet processing facilities in our supply chain to manage filtered textile waste as solid waste.
- We work with the leading filter manufacturers across all industries to promote the adoption of technologies that reduce microfibre shedding in the textile industry. In particular, our innovation targets filtering systems for dry cleaners, laundries and wastewater treatment plants and we have developed—together with Chemipol—a technological solution that is currently being tested in industrial pilot programmes.

As a consequence of the first domestic wash having been identified as the main source of microfibres, we are working with prominent industrial machinery manufacturers to find a technological solution that, through its application in pre-market manufacturing stages and as a sustainable alternative to the pre-market industrial wash approach, eliminates shedding in the first domestic wash in a sustainable way. In 2021, we successfully completed the proof-of-concept development of a pilot plant-scale industrial microfibre removal technology, the design and industrial implementation of which is expected in 2022.

In addition, we work with leading companies in the chemical industry to develop preparation and finishing chemicals that minimise garment hairiness and pilling, a prelude to microfibre shedding.

End use

We collaborate with a leader in the chemical industry BASF on a ground-breaking industrial research into the development and industrial-scale manufacture of **sustainable solutions for home laundry to minimize microfiber shedding**, while also notably reducing greenhouse gas. The aim is to make it usable on all types of fabrics, reducing the shedding of microfibers. It also seeks to improve the sustainability of the washing process thanks to the reduction of greenhouse gas emissions.

Parallel to this promising development and with the ambition to completely eliminate microfibre shedding, we are closely monitoring the development of filters for domestic washing machines created by technology suppliers and manufacturers. In this regard, we are also supporting and funding a research programme with the Polytechnic University of Catalonia (Spain).

5.4.5.2. Minimising impact in end-of-life

To reuse and recycle textile product components, it is essential to reduce the complexity of materials, design for ease of disassembly and raise consumer awareness regarding the best practices available to them.

At Inditex, we undertake **a number of projects** related to reducing the environmental impact at the end-of-life stage of our products. Some of the most outstanding ones are presented below.

① More information on other programmes in section 5.6. *Collaborating to safeguard the planet of this Report.*

5.4.5.2.1. Closing the Loop

At Inditex we have designed a voluntary programme for the collection of products at the end of their useful life, which we call *Closing the Loop*. Through this programme, we want to offer our customers and employees the best channel to **close the loop of textile products, footwear and accessories**, so that they do not end up in a landfill and can be reused or recycled in the best possible way.

which either give them to people in need or repair them, give them a second life and sell them to finance their social projects. The goal is to reinvest profits from this programme in the market where the garments were collected. After years of hard work, all of our stores⁶⁴ now have collection containers for used garments.

In addition, *Closing the Loop* offers both Inditex customers and our employees additional collection points. In Spain, we work with the social organisation *Cáritas*, to enable the collection of garments by means of containers located in the streets of a number of cities, 100% funded by Inditex. For our employees, collection points are also available at our logistics centres, headquarters and our own factories.

Finally, we are also working to make it possible for customers to request a pick-up when ordering online. This service is available in Spain, in several Chinese cities, Paris, London and New York.

If it is not possible to return them to the market, the collected or donated articles are recycled, so that their useful life is extended for the production of secondary raw materials which then re-enter the production process, thus reducing the need for virgin raw materials and decreasing waste generation.

This last step involves business organisations and universities working on the research and development of more sustainable raw materials and technologies.

The programme in figures:

- Since 2015, **over 78,500 tonnes** of garments, footwear and accessories have been donated.
- In 2020: we achieved our target of rolling out this programme **in all markets and all stores** where we operate.
- In 2021: efforts focused primarily on **consolidating the programme** and strengthening the training of all store personnel.
- In 2022: the activity will focus on fostering the **participation of our customers and employees**, and on financing new fibres and recycling technologies.

The *Closing the Loop* programme aims to extend the useful life of textile products through their reuse, giving them a second life if possible, or recycling them when they can no longer be reused.

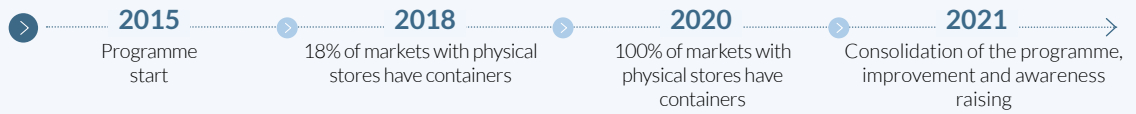
Under the umbrella of the programme, Inditex works with non-profit organisations and specialist third parties in each market where we have a commercial presence. **The garments collected are donated in their entirety** to these organisations,

64. This does not include stores in markets where the initiative can not be implemented due to local legislation or contexts.

CLOSING THE LOOP

In addition to extending the useful life of garments, we generate a positive impact on communities by collaborating with local organisations.

Our story



How can I donate clothing, footwear and accessories I no longer use?

IN PHYSICAL STORES
using the available containers

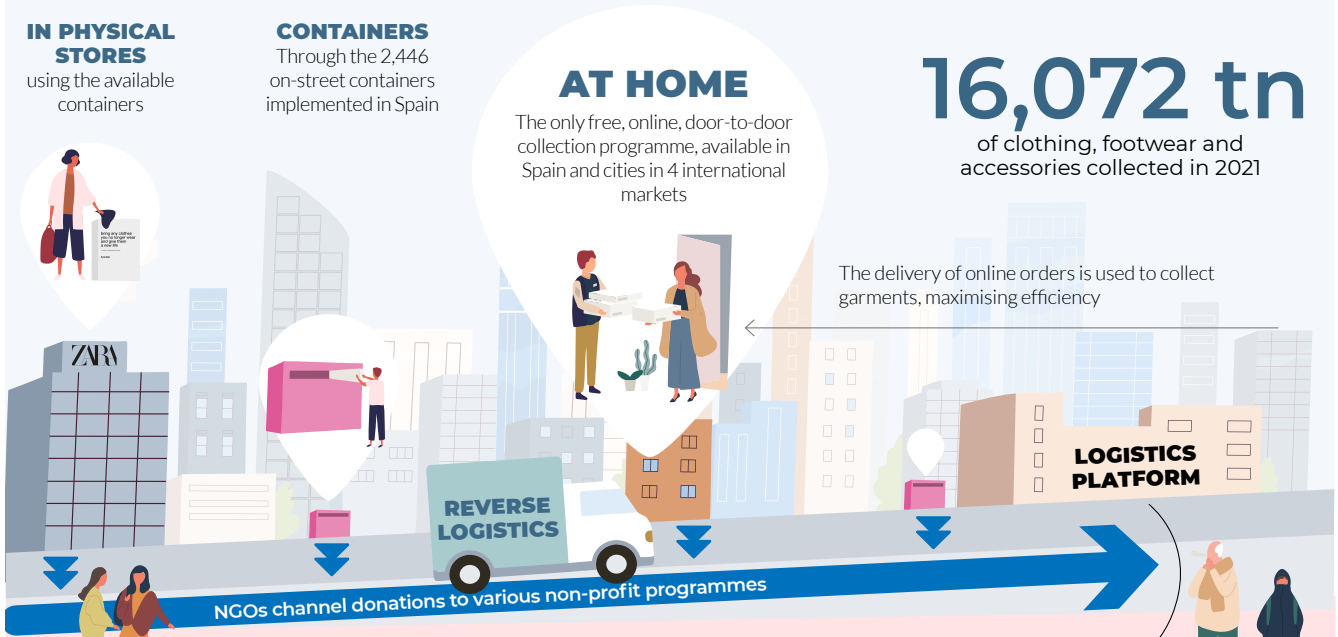
CONTAINERS
Through the 2,446 on-street containers implemented in Spain

AT HOME

The only free, online, door-to-door collection programme, available in Spain and cities in 4 international markets

16,072 tn

of clothing, footwear and accessories collected in 2021



Where do the garments I donate go?

Sold through solidarity channels of non-profit organisations to finance their social projects.

Recycled into new textile fibres and raw materials for other industries.

Reused and transformed into other textile by-products.

Donated to people in need.



What is achieved using my donations?



Direct social help

Employment of persons in social exclusion

Reinvestment in social projects

SOCIAL IMPACT

5.4.5.2.2. Packaging. Green to Pack

The **quality standards of our packaging** are provided in our *Green to Pack* programme, which aims to introduce as many recycled materials as possible into *packaging*, extend its useful life and facilitate its subsequent recycling, while at the same time optimising the transport of our products.

We are constantly endeavouring to optimise the use of natural resources and foster care for ecosystems and biodiversity throughout our business model. Consistent with our long-term sustainability strategy, and convinced that we all have a pivotal role to play, we offer our customers re-usable bags. In 2020 we eliminated the plastic from the bags and *packaging* that we deliver to our customers in our stores and

online orders and this 2021, with the aim of reducing its consumption, we began to charge for them in some markets. We allocate an amount equivalent to that collected to environmental initiatives of organizations with which we collaborate.

Furthermore, we continue to work with our buying and product teams to meet our 2023 target for the products we sell to contain no *packaging* elements that are considered single-use plastics.

In this respect, and with the aim of promoting best practices in terms of *packaging*, in 2021 we commenced a periodic review of all the *packaging* elements that we use in shipping and distribution operations, or that accompany our products, and of which are the most sustainable alternatives.

In another step to further our ambition in this regard, we undertook with the Ellen MacArthur Foundation (EMF) **to reduce a 50% the use of virgin plastics in our packaging by 2025** compared to 2019. This goal underpins the reuse, disposal and recycling efforts being undertaken across the Company's multiple teams.

Our goal is to ensure that **100% of packaging is re-used or recycled in the supply chain**. On that basis, in 2021 we signed the manifesto titled *The Business Call for a UN Treaty on Plastic Pollution* in order to call on governments to negotiate a global treaty to end plastic pollution. This being an issue that affects so many sectors, societies and ecosystems, an international agreement is needed that presents clear goals, binding targets and consistent measurement mechanisms to drive the transition to a circular economy for plastics globally and at scale.

We also signed a second manifesto with the EMF that goes even further than previously: *The Advanced Corporate Statement*. As signatories, we call on governments to ensure that the new plastics treaty includes measures and instruments that address the entire life cycle of plastics, beyond the challenges associated with managing plastics as waste. Through a circular economy of plastics, we will contribute to efforts to stop climate change and prevent the loss of biodiversity, while generating positive social and economic impacts.



FEATURED INITIATIVES



Cardboard boxes

The first step is to continue to enhance the quality of the cardboard boxes that transport our garments from suppliers, prioritising the use of recycled materials and extending their useful life. Our boxes currently contain 75% recycled cardboard sourced from the market and can be used up to five times before being sent for recycling.

The cardboard obtained from the recycling of Green to Pack boxes is used to manufacture boxes for Zara's online deliveries, in addition to other uses.

All the Group's brands are part of the Green to Pack programme, which is being joined by increasingly more markets. The programme is currently operating in Albania, Bulgaria, Bangladesh, Cambodia, Mainland China, Egypt, India, Morocco, Myanmar, Pakistan, Portugal, Serbia, Tunisia, Turkey and Vietnam. More than 21.8 million certified boxes were acquired in 2021.

Plastic

In addition to our individual efforts to eliminate single-use plastics in our operations, we work closely with other organisations and institutions to accelerate the transformation of the entire industry in this area.

In 2021:

- We started an R&D+i project with 15 fashion companies to find more sustainable solutions for logistics packaging.
- We took part in the Ellen MacArthur Foundation's The New Plastics Economy initiative, ramping up the ambition of our Global Commitment by 2025 to eliminate unnecessary packaging and encourage reuse and recycling models.
- We also joined in The Fashion Pact's Oceans Pillar initiative (goals for 2025 and 2030).