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 articles[61] 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

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

ⓘ 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.

PRODUCT HEALTH AND SAFETY STANDARDS

	Safe to Wear	PTR	Clear to Wear	i+Cosmetics	i+FCM	i+Home	i+Child Care Furniture
SCOPE	Garments, accessories and footwear	Garments, accessories, footwear and home textile	Garments, fabrics, accessories, footwear and home textile	Cosmetics	Products in contact with food	Ambiance products for the home Decorative candles and their accessories	Children's furniture and child care articles

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 exacting 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

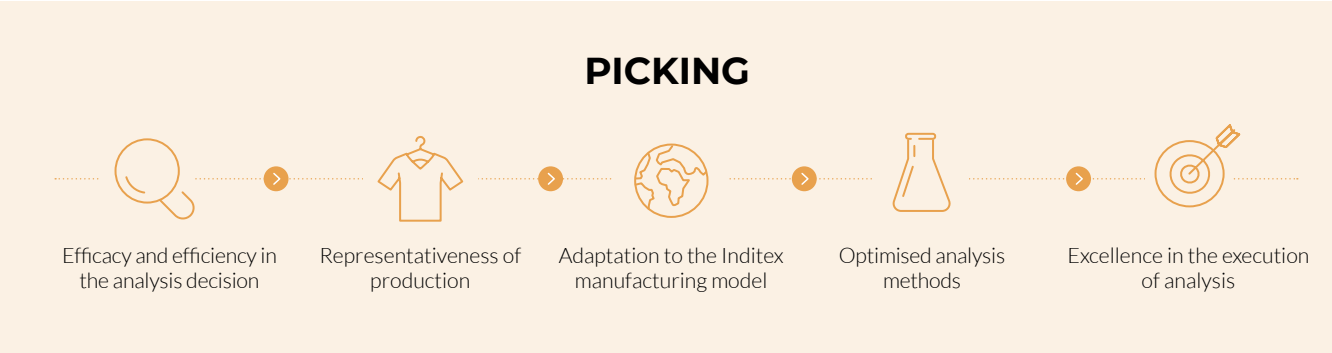
Picking programme

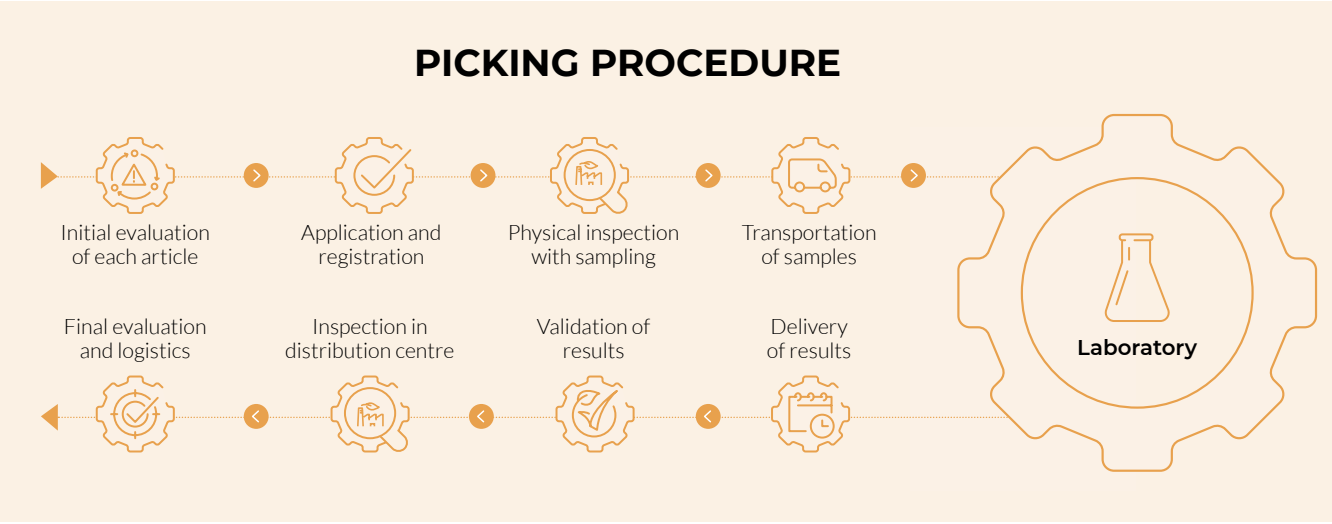
In 2021, **49,999 Picking inspections** have been carried out, with 792,582 analyses and tests performed[62].

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.

Miniliabs

In 2021, **3,753 Picking inspections** were performed with **Minilabs**, carrying out 33,325 analyses and *screening* tests[63].

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 *The List*, 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.

ⓘ 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.