INDITEX
OUR COMMITMENT TO SUSTAINABILITY
Our integrated and sustainable platform of physical and online stores is both the first and the final step of our business model. The unique precision and efficiency of every stage of our activity—design, procurement and manufacturing, logistics and sales, in store and online—focuses on fitting our products to meet customer demand.

We make beautiful clothes and we give choices to our customers, based on their preferences and on the latest trends, with the highest quality standards.

The company has the flexible capabilities to do this. Our proximity manufacturing model (57% of the supplying factories are located near to our distribution centers, mainly in Spain, Portugal, Turkey and Morocco), coupled with the experience in manufacturing from the company’s beginnings are cornerstones of the model.

This way, the purchases committed at the start of each season are small relative to usual practice in the fashion retail industry.

This flexibility in the sourcing model gives Inditex the ability to react swiftly to changing market circumstances and hold minimal stock.
The pressures on our planet’s limited natural resources and the challenge of climate change require prompt and concerted action from us all. We take our role seriously. We are taking wide-ranging measures to protect biodiversity, reduce our consumption of water, energy and other resources, avoid waste, and combat climate change.

We conceive our sustainability project as a work in progress. A never ending task. In 2001, Inditex signed the United Nations (UN) Global Compact, showing our early commitment towards the UN approach to social and environmental sustainability. We know that our efforts are more effective when done in collaboration with partners.

We would never claim to have all the answers. Some of the most prominent and independent entities have recognized our integrated and collaborative approach to sustainability. E.g., in 2018, Inditex was named the most sustainable company in the retail industry for the third year in a row by the Dow Jones Sustainability Index (DJSI). And Fortune magazine named Inditex the 4th Best International Company that Changes the World. Also, the recognition of Inditex Chairman & CEO, Pablo Isla, as Best Performing CEO of the world two years in a row (2017 and 2018) by Harvard Business Review, has been influenced by the weight of the Sustainable Development Goals (UN’s Sustainable Development Agenda 2030 parameters, we follow) in Inditex strategy. But we think this is not enough and that more must be done.

We have the ambition to generate a positive impact in the industry through our programs, projects and practices. And that is our commitment.
Our continual quest for innovation enables us to be better and more efficient while also lessening our impact on the environment. This is a never-ending process and while continuously incorporating state-of-the-art sustainability practices, we must always do more. With this early vision we have already developed four consecutive multi-year Environmental Plans (starting in 2002 and currently in the latest steps of 2016-2020 plan).

Sustainability Plans are being integrated into all phases of the product life cycle, including all stages of our supply chain, from design and sourcing, to manufacturing and quality control, logistics and sales through stores and online. Through our ongoing focus on developing technological innovations, we have put into place policies and activities related to the continuous improvement of sustainability in the management of our supply chain from a social, environmental, and health and safety perspective.

These plans also include investments in sustainability R&D to foster innovation in this field and incorporate new technologies, processes and sustainable raw materials to our activities and our garments.
Garment’s quality is one of Inditex main priorities. Product teams work both from a quality and a sustainability perspective.

Our teams are trained to focus on design for durability. Thus, they can prioritize the option of recycling from the same moment of garments’ creation.

Also, collaboration with others is vital to improve availability of raw materials and protect biodiversity through a unified and consistent action. International groups we are partnering with include the Better Cotton Initiative, CanopyStyle, Organic Cotton Accelerator, Sustainable Apparel Coalition and Textile Exchange, among others.

We pay special attention to the raw materials we choose in the making of our products, as these decisions can have a direct impact on biodiversity:

/ Increasing the use of sustainable cotton
/ Increasing the use of forest friendly alternatives, such as Tencel™ Lyocell
/ Increasing the use of recycled fibers and recycled polyester
/ Using only sustainable certified (PEFC or FSC) sources for our wooden furniture and paper products, such as bags, labels and office paper

In 2015 we created the Join Life label. The most sustainable raw materials and/or processes are labelled under the Join Life concept. It promotes the use of sustainable raw materials such as organic cotton, recycled polyester and Tencel™ Lyocell, and aims to reduce water and energy consumption.
Change only comes through continuous improvement of our supply chain. We work in close partnership with our suppliers to make sure they and their factories comply with the most stringent requirements in order to fulfill our commitment to customers through product health and safety and also to the environment. With this aim, we audit the compliance with this commitments even before a supplier begins working with us.

During the production process, this is ensure through the implementation of two standards: Clear to Wear and Safe to Wear.

Up to two thirds of our garments comes from preferred suppliers, which have been working and growing with us for years, achieving the highest standards in our sustainability audits.

Then we aim to support our suppliers in adopting more sustainable practices in wet processes, by helping them apply the best techniques available. This could involve the choice of appropriate raw materials and regulated chemical products, improvements in technology, waste and energy management, and the upgrading of their waste-water purification systems.

With regards to the best practices in the use of chemicals we have created ‘The List’ by Inditex, a tested list of the best chemicals that can be used in the manufacturing of clothes, both to ensure health and safety and also clean production processes.

We verify our progress towards zero discharge against our latest standard for waste-water quality, which we continually review with our partners.
Our new logistics centres are built and managed to the highest international sustainability standards, achieving the LEED certification by the U.S. Green Building Council.

We have been systematically upgrading all our existing logistics platforms, introducing eco-efficient lighting, improving insulation, installing sophisticated climate-control equipment, supplying bicycles and electric vehicles for internal transport, and using renewable energy sources.

100% of the energy consumed by our logistic centres in Spain comes from renewable resources. In addition, the use of electricity from renewable sources in all the company’s facilities has multiplied by almost 20 since 2014.

All this is an advance in our commitment to energy efficiency in all processes. We have the commitment that 80% of the energy consumed in all of our distribution centres, offices and stores will be clean in 2025.

In terms of packaging management, we have our Green to Pack program to ensure we minimize packaging waste. The program is aiming to reduce waste, mainly boxes and plastics:

/ Boxes are used up to six times
  _FSC certified
  _Recyclable
  _Optimized for transport
  _Use of recyclable plastics
  _Reduction of plastics

We have also committed to a Zero Waste to landfills from our operations by 2023. In 2018, 88% of the waste of our distribution centers (mainly cardboards, plastics, wood, security tags and hangers) was reused or recycled.
Our stores are a physical manifestation of our commitment to sustainability, incorporating the most innovative technology to facilitate energy saving. Centralized software called EcoTool controls each of our stores worldwide, and through this technology, we are able to measure the environmental progress of each store towards sustainability.

This allows us to reduce carbon emissions, save energy and minimize waste. This contributes to the use of 20% less energy and 40% less water when compared to more conventional stores.

As of 2018, 86% of our stores meet this eco-efficient standard.

We are refurbishing all of our stores constructed before 2007 to ensure eco-efficiency standards, and many of our new flagship stores go much further, achieving certification for rigorous and respected sustainability standards. Inditex is firmly committed to all of its stores meeting these requirements by 2020. Zara will meet this goal this same year 2019.

With regards to the packaging we use to serve our customers, we are working towards a single-use plastic free retailing. Currently, Zara, Zara Home, Massimo Dutti and Uterqüe have already removed plastic bags and the rest of our brands will complete this process by 2020. Inditex bags will be 100% recycled and our online boxes come from recycled cardboard -some from our own distribution boxes- and our envelopes are equally FSC paper certified.
We continue to work to extend the lifecycle of our products through our used garment collection programme for the reuse and recycling of used garments through containers in store, as well as at-home collection, and street-side containers in Spain in collaboration with Caritas.

These programs allow customers to donate unwanted items to a number of NGOs such as the Red Cross, Caritas, Oxfam or Salvation Army - who benefit from their resale and reuse. We have now installed containers in 1,382 stores in 24 markets around the world. More than 34 tons of garments have been collected from our stores since 2015. At the same time, this programme contributes to create and maintain more than 1,000 jobs to vulnerable people.

In Spain, Zara created the home collection programme, taking advantage of the online orders. The programme is fully operational across Spain and has also been activated in Beijing and Shanghai (China).

In the second half of 2019 we will activate this home collect service in London (UK), Paris (France) and New York (US).

By 2020, all of the Group’s stores will have containers for the collection of used garments, which will foster the work towards a circular economy as for the related social initiatives.

<table>
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<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2010</td>
<td>Cooperation with the NGO Rebo Amiga to improve the management of textile waste in Catalonia, Spain</td>
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<td>2014</td>
<td>Inditex partnered with MIT to improve recycling of textile fibres</td>
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<td>2015</td>
<td>Inditex launched the Clothes Collecting Programme</td>
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<td>2016</td>
<td>Zara launched in-home garments collection programme in Spain</td>
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<tr>
<td>2017</td>
<td>Zara launched in-home garments collection programme in Beijing and Shanghai, China</td>
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<td>2018</td>
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We are fostering research into technology in order to further promote research into global sustainability challenges with leading academic institutions such as Massachusetts Institute of Technology (MIT). By 2020, we will have invested $3.5 million in textile recycling technology, as committed to as part of the Global Fashion Agenda.

Our multi-year agreement with the MIT will finance the research of new, unexplored technologies in the field of textile recyclability and the circular economy.

Thanks to the MIT Spain-Inditex Fund, four research programmes are already underway with researchers from the Universities of Vigo, the Basque Country and Granada, and the Polytechnic University of Valencia.

We also support the development of technology that will yield new raw materials in the future. An example is our collaboration with Lenzing, the Austrian producer of the plant-based sustainable textile fibre Tencel™ Lyocell.

This initiative has led to the creation of a new fibre called Refibra™; it is the result of combining sustainable plant-based raw materials with scraps of the fabric used to in the manufacture of cotton garments in the factories.
SUSTAINABILITY ROADMAP GOALS

2019

/ All headquarters and logistic platforms are eco-efficient (ten of them with LEED Gold certification)
/ New In-Home and Drop-Point garments collection service in Paris, London and New York
/ 100% Zara stores will be eco-efficient (one year ahead of target)
/ Funding research on global challenges, collection and upcycling (Massachusetts Institute of Technologies – MIT)

2020

/ 100% eco-efficient stores in all brands
/ More than 25% of Join Life garments
/ Removal of plastic bags in all brands
/ 100% stores with containers for the collection of used garments
/ Zero Discharge Commitment: implementation of the best wet processes in the entire supply chain.
/ Canopy Commitment: 100% certified forest friendly fibers
/ 100% of the designers trained and specialized in circularity (Global Fashion Agenda commitment)

2023

/ Zero Waste from our facilities (headquarters, logistics and stores)
/ 100% sustainable cellulosic fibers, supporting the Roadmap towards a responsible viscose (Changing Markets Foundation)
/ 100% single-use plastic free to customers
/ 100% of all packaging materials collected for reuse or recycling in our supply chain (Green to Pack)

Before 2025

/ 80% of renewable energy in all our facilities (headquarters, logistics and stores)
/ 100% sustainable cotton (organic, BCI and/or recycled cotton)
/ 100% recycled polyester
/ 100% sustainable linen