

INDITEX

GLOBAL WATER MANAGEMENT STRATEGY

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Guidelines and actions
to promote
the sustainable
management of water

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GLOBAL VIEW

INDITEX
global water management strategy

Water is one of the most valuable resources to ensure the sustainability of the planet and those who inhabit it. We are aware of its critical importance for life and for almost all human activities, and at the same time aware of its fragility and shortage in appropriate conditions to meet the needs of many people and ecosystems throughout the world.

This concern which has already been addressed in our commitment with sustainable development generates now, due to its importance, the “Global Water Management Strategy”, presented in this document (in advance of “**Water Strategy**”).

Most definitely, we consider that our commitment with the sustainable development and the environmental and natural resources protection must contemplate the sustainable use of water in all dimensions and connections related with our activities both direct and indirect ones.

These commitments by Inditex are framed following the guidelines of the *CEO Water Mandate*, promoted by the *UN Global Compact*.

In a similar manner as our agile business dynamics, the Strategy can be regarded as alive and dynamic document, which helps us mark guidelines and actions. Further, it will provide permanent feedback as well as the adapting for new knowledge from the results of the experiences and the changing reality in the management of this resource. Definitely, it constitutes a roadmap that allows leading Inditex and all our stakeholders (suppliers, clients, employees...) towards sustainable and rational management of water at the global level, working in the conservation of the environmental quality of river and marine ecosystems.

Inditex believes in promoting a sustainable and responsible use of water in a global scope. In this

respect, the Inditex Water Strategy includes among its objectives the transparency and diffusion of its results among our Stakeholders.

To address the development and implementation of this commitment, we have involved personnel from all areas of Inditex, including product development and shops. In addition, it has been reinforced with independent external experts. The priorities of its work agenda aim at identifying our reality in terms of the use of water, the critical aspects, and the lines of work to follow. From these priorities there will be defined objectives and Master Plans with concrete actions, which will be introduced to all Inditex staff and our supply chain towards its implementation.

Although the Water Strategy displays a long-term vision, it is formally part of new **Inditex Sustainable 2011-2015 Environmental Strategic Plan**.

Arteixo, September 2012

1.1 Sustainability policy at Inditex

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OUR VISION OF SUSTAINABILITY

In all Inditex business areas, it is considered that the development of our activity must integrate sustainable development criteria. This ensures a proper management of natural resources and protection of the environment, responding to the demands of the society. This integration of sustainability in our activities should extend to all our supply chain, creating a vision that is shared by all those who form part of the Inditex Group.

INDITEX SUSTAINABILITY POLICY

The pillar supporting the environmental management model of Inditex and from which the strategic lines arise, is the Group Sustainability Policy, which is available at www.inditex.com and contains the following principles and commitments:

- + Inditex is committed to consider the environmental and social variables, especially related to climate change and the management of water. This is to be observed in the planning and development of its activities and those of their business partners, by promoting the environmental awareness of its staff, suppliers and society in general.
- + Inditex is committed to comply with the environmental legislation applicable to its activities, as well as other obligations that it commits to on a volunteer basis. This attempt comes with a special effort to prevent pollution and minimize as far as possible the potential environmental impact generated by our supply chain, both in natural resources and people.
- + Inditex is committed to preserve the environment, developing actions of continuous improvement in the reduction of emissions of greenhouse gases that are direct and indirect.

In addition, it is committed in the reduction of the consumption of resources, in the minimization of the use of components that are harmful to the environment and people and on the cluster of our environmental management system.

- + Inditex identifies the potential sources of environmental risks arising from their activity in order to prevent and repair them in the hypothesis that an event might occur.
- + Inditex ensures the dissemination of this Sustainability Policy among all employees and society, establishing routes of fluent communication with the authorities, agents and local communities concerned.

Based on our Sustainability Policy the present Water Management Strategy is intended as an integrated reflection of our commitment to sustainability and our business strategies, seeking the involvement of our supply chain on the efficient and effective management of the water resource. With this, we want to carry on the leadership in the textile industry as far as sustainability is concerned and to meet the expectations of our customers.

THE WATER STRATEGY APPROACH

The development of our Water Strategy relies on our Sustainability Policy and postulate of global commitments that are consistent with it. This is applied in the field of water management, such as the CEO Water Mandate of UN.

Based on the principles of inclusiveness, collaboration and transparency, the Water Strategy is developed under two main work lines: the design of master plans for each of the connections in the supply chain and the

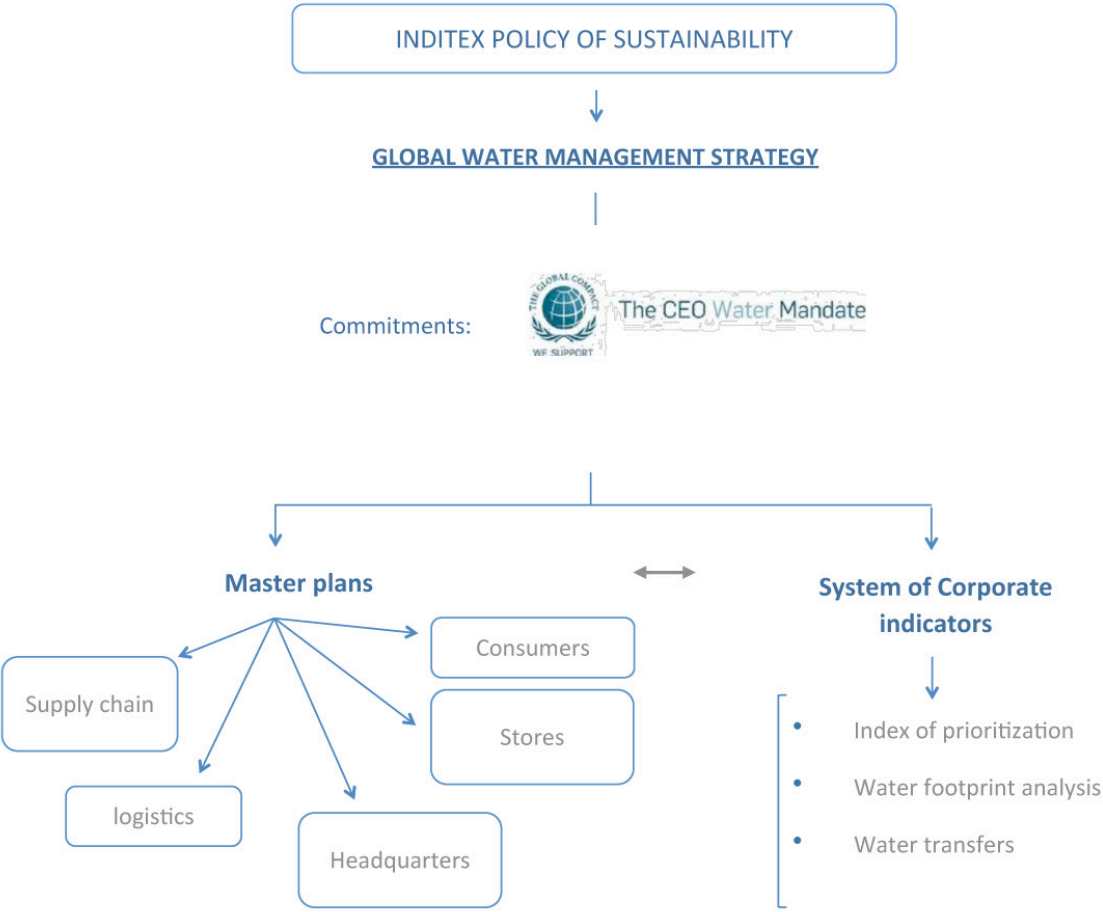


Fig. 1. The Global Water Management Strategy Scheme and lines of action.

establishment of a system of corporate indicators of water, which may help us understand and manage the water resource in our global operations.

The main objectives of the Water Management Strategy are:

- + Manage and promote more efficient water consumption at the Headquarter offices, logistic centers, stores and supply chain.
- + Work with our supply chain to ensure the conservation of the environmental quality of river and marine ecosystems.
- + Develop master plans for water management at the quantitative and qualitative levels in our owned production centers and supply chain, by administering audits and management

plans of efficiency in all headquarter offices, logistics centers and stores before 2015.

- + Promote a broad participation of groups related with the issue of use and management of water, including the disclosure of master plans in our supply chain over the years 2013, 2014 and 2015.
- + Ensure transparency for all actions carried out in with the field of water, developing them in a way that they can be easily verifiable and comparable. All information shall be made available to our consumers and stakeholders, through our website and the Annual Sustainability Report.

1.2 The water management in Inditex

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USE AND CONSUMPTION OF WATER

The basis for the water management in Inditex follows the principles contained in the *CEO Water Mandate initiative*, promoted by the UN Global Compact and that presently represent the most accepted criteria worldwide. Environmental and social aspects are connected in this initiative since the water in the world affects the quality of river ecosystems and on the other hand is a resource that depends on the development of many communities.

The water management in Inditex honors the base document of *CEO Water Mandate* adopted in our Water Strategy and commitments, since multinational companies make use of large volumes of water, and that this use entails responsibility. Hence, we want to be proactive in the good management of water in those regions, where, due to our volume of activity we have real capacity to influence both our direct activities and our suppliers'. This implies, primarily, the evaluation of the use of water, both quantitatively and qualitatively. In addition to the volume related to the use and consumption of water, another important aspect is the quality of the river and marine ecosystems, which affect the development of many communities.

All efforts developed by Inditex, towards proper water management will be visible and verifiable. We believe that the visibility is important because this will promote actions that can serve as example to other companies, even if they are from different sectors. The contrast will be facilitated by adopting standardized criteria for action, i.e., using clear and widely used indicators.

THE INDITEX WATER POLICY

In line with the criteria established by the CEO Water Mandate, the **Inditex Water Policy** rests on four pillars:

- + Evaluation of the material aspects to the quantitative and qualitative levels, for which we will develop Master Action Plans, both at owned centers and in our supply chain.
- + Inclusiveness and cooperation, which will promote broad participation of groups concerned with the water issue at different levels, to which we participate in the measures to adopt.
- + Prevention and precaution, which will assess the potential impacts of our direct and indirect operations.
- + Transparency and visibility, for which we will present all the actions in an easily, verifiable and comparable manner.

The Inditex Water Policy is materialized into the following commitments:

- + Reduce the water footprint of our products through actions related to the awareness of consumption and adequate treatment of water.
- + Reduce water consumption and improve efficiency of its use in our direct operations (headquarter offices, logistics and owned production centers as well as stores).

- + Improve the water management in our supply chain, both in the use of productive and auxiliary operations, such as in the treatment following those procedures.
- + Improve our consumers' knowledge with regard to the environmental water issue related with our products.
- + Increase transparency of our auditing process in suppliers.
- + Continue working with suppliers through our production chain, other brands and other stakeholders in order to achieve sustainable water management.

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MASTER PLANS AND SYSTEM OF CORPORATE WATER INDICATORS

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2.1 General criteria

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Along steadfast commitments and a clearly established policy, the next pillar of our strategy is the quantification of the material aspects, which constitutes the basis for the diagnosis and decision-making. In order to address this, we have taken into consideration the relevance which is the origin of the data, which determines its accessibility and reliability. In the case of data relating to owned centers, we have a significant degree of information and quantification. In the case of data from third-party (chain of suppliers or customers), the data will, in general, have a more qualitative character.

Likewise, we have established procedures and proposals for improvement, adapted to the different centers and with different levels of involvement depending on owned or third-party centers.

+ Establishment of a classification on the basis of the specific nature of the center.

+ Definition of standards for each of the facilities type.

+ Definition of indicators and procedures of gathering and managing information concerning the use of water.

+ Determination of the improvable elements based on the analysis of the indicators and the obtained rating.

+ Definition of monitoring patterns following the indicators which will allow observing, in a comparative mode, the experienced improvement following the performed actions.

2.2 Headquarters offices and logistic centers

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It is in the headquarter offices of Inditex, in the headquarter offices of our brands and in our logistics centers, where we are able to apply a more effective and thorough water management policy. On one hand, some of the centers make use of large volumes of water in which the capacity to obtain significant improvement of an efficient management is important. On the other hand, it is possible to act in a direct manner in centers, which simplify the problems of implementing solutions.

The first of the actions to be developed is a **Master Plan to improve water management in owned centers**. This Plan will have a practical orientation and will deal with the following aspects:

2.3 Supply chain

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The supply chain is an essential aspect to our business model and also to our Water Strategy. We have developed a **water management plan in the supply chain**, which will be subjected to constant adaptation and updating. This Plan is part of the commitments and tasks that we have been developing at an international level within the framework of the *Sustainable Apparel Coalition (SAC)*.

For the elaboration of a first draft of a suppliers' master plan, there have been developed diagnostic audits to multiple suppliers through an evaluation protocol based on the SAC ratings

2.4 Stores

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The implementation of our environmental policy to Inditex stores is developed through the **Manual for the design, construction, maintenance and the ecoefficient store management**, which means that the water management master plan for the stores is included in that Manual.

The suppliers’ master plan is different from the owned centers due to their characteristics. It includes the following aspects:

- + Standards geared at classification of suppliers, considering different thresholds of quality.
- + Procedures of information gathering and its management concerning the use and discharge of water.
- + Elements for improvement, taking into account as a very positive factor and reflection in the classification, the proactive nature of the supplier to detect and correct elements that can be enhanced.
- + Monitoring pattern indicators which will allow us to observe, in a comparative mode, the improvement experienced after the performed actions.

Through the development and implementation of the **master plan**, Inditex will help its suppliers in the adoption of more sustainable and efficient practices in the use of water and wastewater treatment.

2.5 Consumers and product

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The considerations of this Manual have been applied since 2008. It makes reference both to the construction of new stores, as well as to the reform of the existing ones (picture 1). For both situations, the Manual provides measures in the field of water management, the reduction of water consumption and wastewater reduction, therefore, minimizing the discharges.

The Manual lays down technical criteria that are taken into consideration by designers, Construction Company and contractors of each work or refitting made to a store of the Inditex Group. These criteria, listed on data sheets, establish criteria of flow and use, to ensure that facilities and equipment allow reaching water reduction targets.

The consumers of Inditex goods must also be part of the Water Management Strategy, as they are a group of significant stakeholders. The way of wearing, washing, drying, and disposing of our products is important to close the life cycle of the garment as well as towards an optimal water management.

In order to minimize the environment impact of the textile products once the client discard them, we support projects such as the one developed by the Fundació FORMACIÓ I TREBAL PARA EL DESARROLLO DE LA GESTIÓN DE LOS RESIDUOS TEXTILES EN CATALUÑA. Its main objective is to dynamize and to expand the recycling sector managed by social insertion enterprises, which through the three R’s (Reduce-Reuse-Recycle) turns it into an efficient economic activity and also a sustainable one as far as the environment is concerned.

Other actions are based on campaigns geared at good practice and the awareness, especially

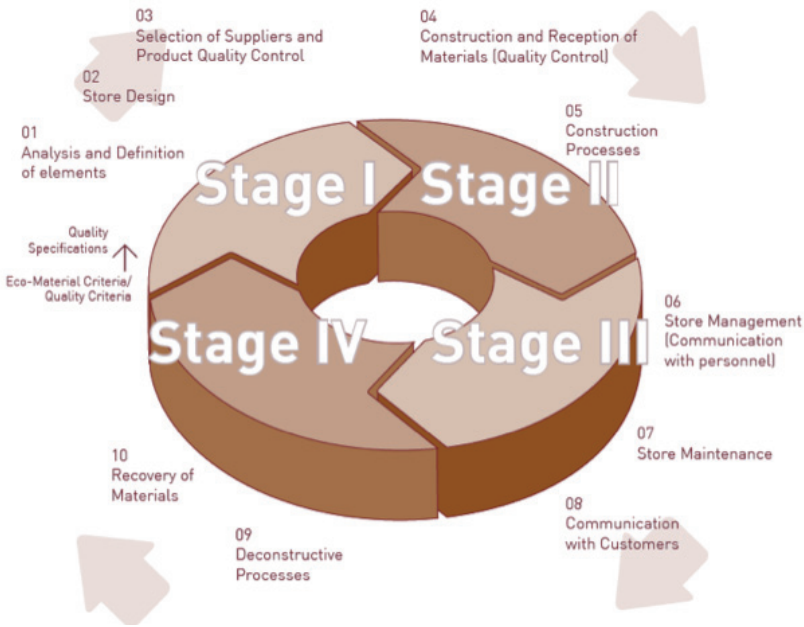


Fig. 1. The life cycle that follows the eco-efficient Inditex stores during the design, construction, management, maintenance, and refitting.

in terms of the efficient water use in garment washing.

The global productive processes which use water as prime source have been the object of analysis as far as the international “virtual water transfer” goes. This process also relates to our Water Strategy.

Our goods require a certain volume of water for its manufacture, a part which is lost in the process and some that goes bad. The quantity of water that is used is known as the “water footprint” and requires its regeneration to become a resource again.

We work in the analysis of the “water footprint” of our products and we develop initiatives and projects towards minimizing it.

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INCLUSIVENESS & COLLABORATION

3.1 Joining international programs

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Inclusiveness and collaboration at the corporate level actions characterize our strategy of dissemination of information. We have chosen to establish a level of relationship which warrants us to influence and be influenced with the ultimate goal of properly managing water, in a consistent way with the most advanced companies in the sector and the most suitable focus in each region.

By joining the international initiatives that we have undertaken, means implicit commitments and modes of action, which are beneficial. These initiatives reinforce positive commitments by Inditex. The initiatives that we have taken up to this date of submission of this strategy are:

- + **CEO Water Mandate**, coordinated by the UN Global Compact.
- + *Sustainable Apparel Coalition (SAC)* brings together a considerable number of leading companies in the textile sector. This Association pursues the development of ratings applicable to the entire chain of suppliers, which allow assessing the performance, in environmental terms of the production process (not only in the vector water, but in all categories).
- + *Leather Working Group* to improve the sustainability of the tanning industry and work in a transparent manner through the participation and representation of brands, tanneries, retailers and other stakeholders of the sector.
- + *Better Cotton Initiative (BCI) and Textile Exchange*, are initiatives that promote the production and use of more sustainable raw materials in the textile sector, especially of natural fibers, where the water is also a key factor.

3.1 Collaboration with companies in the sector, stakeholders and social agents

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Regardless of joining organizations that integrate companies with common interests, we have worked to establish a network of bilateral relations with those companies whose concern is closest and who are progressing in line with Inditex, towards a sustainable water management. Although policies in collaboration with stakeholders present a more intense niche of activity at the local level, it is important to convey information on the water policies of Inditex to those organizations that may feel involved in the water issue at the global level.

As part of our strategy for cooperation and commitment towards sustainable water management, we maintain contacts with NGOs both at a global and sectorial scale, that works to the preservation of the environment and the fulfillment of the Millenium Development Goals.

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TRANSPARENCY

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4.1 Monitoring of contrasted procedures

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The Inditex Group undertakes to publish the main actions carried out in terms of sustainability of water in their annual sustainability reports drawn up in accordance with the principles of the *Global Reporting Initiative (GRI)* and the principles of the United Nations Global Compact as a pledge of our firm commitment to sustainability and social responsibility of our business model.

There will be procedures of management and internal control of the Inditex Group in the development of water management strategy and all actions arising out of it.

4.2 Dissemination policy

4.2 Dissemination policy

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The present Water Management Strategy was born to oversee Inditex and all its stakeholders (suppliers, customers, workers, etc.) towards a more sustainable and rational water management at a global level. To make this possible, we have established a policy of adequate dissemination by allowing the communication of the reality of the group with respect to water, critical aspects, and the lines of work to follow. Such content will be known and easily accessible by any of the parties involved.

The dissemination policy of Inditex will allow knowing the Water Management Strategy and at the same time, generate a positive attitude on the problems surrounding the use of water and the involvement required from all sides.

As mentioned previously, the Strategy has been designed as a living and dynamic document that

helps us to mark guidelines and actions and will provide and constantly adapt itself to new knowledge, results and changing reality. For this reason, we appreciate any suggestion, question or clarification to help us refine the Strategy towards the objectives pursued. All communication in this regard may be directed to the Department of Environment of Inditex (Department of Environment). Avenida de la Diputación, building Inditex, 15142, Arteixo, A Coruña (Spain).

4.3 Evaluation of the strategy

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The Water Strategy of the Inditex Group is subject to an evaluation process, which will imply the involvement of all the departments of Inditex.

The results and objectives will be verified by an independent body on a yearly basis through the overall verification process of the Sustainability Report.