

INTRODUCTION THE INDITEX MRSL

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2. INTRODUCTION

Inditex Manufacturing Restricted Substances List (MRSL) is a list of chemical substances subject to a usage ban or other specific restrictions of use in order to comply with Inditex commitment of Zero Discharge of Hazardous Chemicals pledge by 2020.

3. SCOPE

The MRSL applies to chemicals and materials used in facilities that process textile/leather materials and parts for use in apparel and footwear. Substances on the MRSL include ingredients potentially used in any type of chemical product and/or material (article) used in:

- textile or footwear manufacturing, such as cleaners, solvents, adhesives, stabilizers, paints, inks, detergents, dyes, pigments, auxiliaries, coatings and finishing agents used for wet-processing,
- materials (parts) used at any stage of the manufacturing of the articles, such as buttons, zippers, etc.

4. DEFINITIONS

Chemical substance:

A chemical substance is a chemical element and its compounds in the natural state or obtained by any manufacturing process (REACH¹, 2014).

CAS Number and Color Index (CI) Number:

Single and unique numerical identifiers to every chemical substance. Inditex MRSL focuses on chemical substances listed by CAS number and CI number, but it also includes groups of substances for which listing individual substances is not practical.

¹ Regulation (EC) Number 1907/2006 of the European Parliament and Council (REACH)

Commercial Chemical Formulation:

A commercial chemical formulation is usually a proprietary blend of several chemical substances that is available for purchase from chemical suppliers under their own trade name.

Usage Ban:

A usage ban indicates that the MRSL-listed chemical substance may not be used to achieve a desired function or effect during production of the raw material or product (that is, all uses except non-avoidable use, see below).

Phase Out:

Phase out indicates that Due to the existence of manufacturing impurities in chemical formulations, a minor or trace amount of the restricted substance is permitted, as long as it can be demonstrated that it is present only at ALATCA levels.²

Restrictions According to RSL:

Restrictions according to RSL means that commercial chemical formulations, which may contain the substance in question, can be used only if the final articles comply with the restrictions stated in Inditex RSL (Clear to Wear).

Comply with FCM Regulations:

Comply with FCM regulations means that the materials of the parts in question shall comply with the restrictions stated in Inditex i+FCM standard (product health standard for Food Contact Materials).

² As Low As Technically and Chemically Achievable (ALATCA) means those levels of traces that can be achieved through best practices approaches to control of raw materials and the manufacturing process. ALATCA is an evolution of the ALARA (As Low as Reasonably Achievable) concept: See: http://ec.europa.eu/consumers/sectors/cosmetics/files/pdf/iccr5_contaminants_en.pdf

Non-avoidable Use:

The use of a chemical formulation or material in which a substance listed in the MRSL is present as an impurity at ALATCA levels². All other uses of an MRSL-listed substance are considered as intentional.

5. MRSL INTERNAL STRUCTURE

Inditex MRSL is divided in three sections to be used, separately or in combination, by:

Banned Substances:

It contains a list of substances the use of which is banned/restricted in any processing unit (wet or otherwise) of the supply chain. These substances have been demonstrated to be hazardous, and alternative, safer substitutes for them are available. This section comprises the following chapters:

MRSL for Wet Processing Units:

List of Restricted Substances used in manufacturing by units that work with substances and mixtures of substances (as defined by REACH)³. These are commonly known as *wet processing units*, and are comprised by dyeing mills, printing mills, tanneries and laundries.

MRSL for Parts Suppliers:

List of Restricted Substances used in manufacturing by units that process articles (as defined by REACH³). These are units that process solid objects (parts), such as fabrics, threads, buttons, zippers, etc., but which do not carry out chemical processes (such as dyeing, printing, laundering, finishing, coating, etc.).

Innovation List:

It contains the list of substances which fulfill the criteria for inclusion in the MRSL and for

³ Substances and mixtures of substances as defined by Regulation (EC) Number 1907/2006 of the European Parliament and Council (REACH)

which there are no known safer alternatives for their use, but the development of alternatives for their use are likely to be successful in a reasonable timespan (less than 28 months).

The use of the substances included in this section is allowed, within the restrictions specified in the MRSL. Inditex will impose a substitution of these substances within a period as short as possible (to incentivize investment in alternatives) and never longer than 28 months since their inclusion in this section of the MRSL.

Transitional Exception List:

It contains the list of substances which fulfill the criteria for inclusion in the MRSL and there are no known safer alternatives for its use, but the development of alternatives for their use for specific, narrowly defined applications, requires additional research and development incentives to set a phase-out timeline aiming for no longer than 28 months and adopted on a case by case basis, depending on annual revisions of possible alternatives and functional needs assessments. The inclusion of a substance in a “Transitional Exception List” is restricted for its use in certain specific, narrowly defined applications.

The use of the substances included in this section is allowed, within the restrictions specified in the MRSL. Inditex will impose a substitution of these substances within a period as short as possible (to incentivize investment in alternatives).

Specific action taken by Inditex for the substances included in this section:

- Dimethyl formamide (DMF, CAS No. 68-12-2):
 - Step 1: ALATCA levels of DMF in imitation leather materials by chemical sampling made from polyurethane manufactured by using DMF as a solvent will be determined.
 - Step 2: the level of 4,4'-diaminodiphenylmethane (MDA, CAS No. 101-77-9) present in imitation leathers made from polyurethane manufactured by the DMF-free process will be determined. The objective is to establish the safety

of the use of this type of materials.

- Step 3: a final decision on the complete usage ban on DMF will be made once the outcome of Step 2 is known.

- Formaldehyde (CAS No. 50-00-0):
 - a database of the processing units of Inditex supply chain which use the substance in any way (as part of mixtures or articles) will be created,
 - audits of the processing units included in the database to check their preparedness to use the substance in a responsible way will be performed,
 - a close monitoring of the levels of the substance in the materials (chemicals and parts) used by the processing units of Inditex supply chain will be performed,
 - a close monitoring the levels of the substance in the effluents of the processing units included in the database will be performed,
 - a gradual reduction of the allowed applications of the substance will be performed.

6. MRSL IMPLEMENTATION INSTRUMENTS

Implementation and enforcement of the MRSL throughout the entire supply chain will take place by using five instruments:

- *Information and Training*: Inditex will actively disseminate all relevant information about the MRSL, the substances listed in it and the hazards posed by them throughout the entire supply chain. Inditex teams will inform and train the management and workers of the processing units on how to interpret the MRSL and how to select, control and test the chemical formulations and materials which they use in manufacturing. These training sessions will take place locally, in all of Inditex manufacturing clusters.

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- *The List by INDITEX*: document that will be periodically updated in order to include new commercially available chemical products from chemical suppliers worldwide and classified according to their compliance of Inditex RSL “Clear To Wear” (CTW).
 - *Ready To Manufacture (RTM)*: Inditex manufacturing code that additionally of taking care about all internal processes related to the manufacturing processes, traceability issues and production and waste water controls, informs about the parameters to be tested for the different chemical product types.
 - *Root Cause Analysis Program (RCA)*: This program provides the blueprint for the investigation of non-compliances with the RSL detected in the final articles. The investigation tools used to establish the root causes of the non-compliances include auditing all the processing units involved in the manufacture of the con compliant articles, especially their chemical inventories.
 - *Audits of Discharges Program*: Inditex will perform audits which involve the analysis of the discharges of the wet processing units of the supply chain, to establish their compliance with the MRSL and the Zero Discharge commitment. These audits will be performed in two different phases:
 - *Phase 1*: Inditex will expand the chemical substances under analysis to all those included in the MRSL for wet processing units in waste water samples from a selected group of production units.
 - *Phase 2*: Based on Phase 1 test results and by means of smart testing approach, Inditex will define which are the chemical substances from the MRSL for wet processing units that should be tested in all waste water samples picked up from the selected group of production units.

7. MRSL PRACTICAL IMPLEMENTATION

In order to ensure MRSL compliance, both chemical products/materials used in Inditex productions and the waste water discharged from the wet processing units (dyeing and printing mills, laundries and tanneries) should comply with it:

- **Chemical products/materials:** To ensure their compliance, special attention should be paid to MRSL section related to chemical product/materials and where the following information is shown:
 - Restriction or Usage Ban Value: Maximum permitted concentration or concentration range for a chemical substance listed in the MRSL in any chemical product used in INDITEX productions. Two different situations are considered in the MRSL:
 - *No Detection:* The concentration of the chemical substance should be always below the detection limit of the test method used.
 - *ALATCA:*⁴ The concentration of the chemical substance should be always within this concentration range given when the corresponding test method is used.
 - Detection Limit (expressed in ppm or mg/L): Minimum permitted concentration of a chemical substance listed in the MRSL in the chemical products used in an INDITEX production when the corresponding test method is used.
 - Test Method: Best analytical technology and methodology currently available selected by Inditex that should be used in order to quantify the level of a chemical substance directly on the chemical product used in INDITEX productions with the detection limit mentioned previously.

In the case that a chemical product/material contains any of the restricted substances listed in the MRSL above the “Restriction or Usage Ban Value”, they cannot be used in INDITEX productions. This information can be obtained by means of:

⁴ As Low As Technically and Chemically Achievable (ALATCA) means those levels of traces that can be achieved through best practices approaches to control of raw materials and the manufacturing process.

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- The List by INDITEX:⁵ All “A” and “B” chemical products will be in compliance with Inditex MRSL and can be used in Inditex productions ensuring MRSL compliance. However, according to RTM instructions, special precaution should be paid when “B” chemicals are used to guarantee finished article RSL compliance. On the other hand, “C” products cannot be used since they do not comply with the MRSL and their use will lead to a RSL non compliance.
 - Test reports: Test results for any of the listed substances above the “Restriction or Usage Ban Value” will imply that the chemical product cannot be used. On the other hand, in case that the test results are below this value, two situations may happen:
 - Test result is “No Detection” when the MRSL specified test method is used:
 - In this case, the chemical product can be used in Inditex productions.
 - Test result is within the ALATCA concentration range when the MRSL specified test method is used:
 - In this case, the chemical product can be used in Inditex productions. However, *every test result obtained from a new lot number should be lower or equal than the test result immediately prior.*

Important: *In the case that a previous test result is available, the test result should be always within the ALATCA concentration range.*

⁵ The List by INDITEX current edition covers the following substances: formaldehyde; heavy metals, chromium (VI); arylamines, phthalates, chlorinated phenols and PFC. However, it will be periodically updated in order to expand its scope.

Note: Additional ad hoc solutions may be provided by Inditex as a guideline to ensure MRS� compliance for some specific substances.

- **Waste waters:** To ensure their compliance, special attention should be paid to MRS� section related to waste water, where the following information is shown:
 - Detection Limit (expressed in ppm or mg/L): Minimum permitted concentration of a chemical substance listed in the MRS� that can be detected in the waste water discharged by a wet processing unit working for INDITEX when the corresponding test method is used.
 - Test Method: Best analytical technology and methodology currently available selected by Inditex that should be used in order to quantify the level of a chemical substance in the waste water discharged by the wet processing unit working for INDITEX with the detection limit mentioned previously.

Waste water compliance will be ensured directly by Inditex by periodically picking water samples from wet processing units in a selected group of wet processing units.

In a complementary way and in order to close the loop, finished articles will be also tested in order to ensure their compliance of RSL.

8. MRS� LIMITS

Inditex establishes two types of limits for the levels of the banned substances in the chemical formulations and materials allowed to be used in the manufacturing units:

- **No Detection (N.D.):** For substances the presence of which in the chemical formulations or materials can only be the result of an intentional use (see above). Inditex is committed to use the lowest detection limits that can achieve the best relevant analytical techniques used by reputed third party analytical services suppliers for the analysis of each specific substance.

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- **ALATCA (As Low As Technically and Chemically Achievable):** For substances the presence of which in the chemical formulations or materials can be the result of a non avoidable use (see above). The limits allowed for these substances will be established according to the lowest levels found in best commercially available formulations, prepared according to the best manufacturing practices in the chemical industry.

Inditex continuously develops research programs to monitor the formulations supplied to the Group in order to establish compliance with the MRSL program and the ALATCA levels in the formulations. As a consequence of this research, the restriction level (N.D. or ALATCA) of a given substance may need to be revised. In such a case, Inditex will make available in its web page a report describing the results and information taken into consideration to modify the restriction level.