

INDITEX

BIODIVERSITY STRATEGY

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Guidelines and actions to
promote the protection,
preservation and development of
biodiversity throughout Inditex value chain

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GLOBAL VIEW

Biodiversity means biological diversity; the variation and range of biological organisms: animals, plants, fungi and any other living organisms. Biodiversity is an essential component of our natural resources and the benefits they provide through direct and indirect contributions to human health, livelihood and well-being. These benefits – commonly referred to as ‘ecosystem services’ - include clean air and water, crop pollination, flood and fire protection, which in turn protect health, dwellings and livelihood, food security, climate regulation and many other requirements integral to the continued existence of the population and the planet.

Despite the vital connection between nature and the quality of our day-to-day lives, our earth’s biodiversity has seen a severe decline since the onset of globalization and widespread consumerism. This decline takes the form of species extinction and habitat destruction, caused by land conversion, air and water pollution and global warming, among others.

In an Inditex business context, biodiversity provides soil nutrients in which to grow cotton, water for the irrigation of crops and the processing of materials, land on which to grow feed to rear cattle for leather, timber for fiber and furniture, and much more. Our supply chain, and especially the raw materials we use, rely on biodiversity.

Protecting and developing biodiversity within our business operations and through our entire value chain is part of our responsibility and commitment towards sustainable development. Therefore, our Biodiversity Strategy is a crucial part of our overall Environmental Sustainability Strategy and will guide us towards environmentally and ethically

responsible business decisions, which are also economically sound.

Our framework strategy aims to protect, preserve and develop biodiversity affected by our business processes and especially the raw materials we use. Additionally, our Water and Energy Strategies are heavily intertwined with biodiversity. For example, maintaining the environmental quality of river and marine ecosystems along our supply chain ensures that water-reliant raw materials sourced from these regions are not threatened. Minimising energy use and carbon emissions reduces global warming, and the effects this has on biodiversity.

2011-2020 has been declared the United Nations Decade on Biodiversity, and Inditex has devised its objectives following the principles outlined in the UN Convention on Biological Diversity and underpinning the work of the International Union for Conservation of Nature (IUCN).

The Strategy sets out our dynamic long term approach, and is characterized by its marking guidelines, targets and actions for progress. Inditex and its stakeholders -suppliers, clients, employees, thought leaders, NGO’s, etc., are all part of a thriving learning network through which knowledge and experience provide the optimal feedback which assists us in adapting and improving our strategy and practices, taking into account the protection, the preservation, and the development of biodiversity.

1.1 Environmental Sustainability policy at Inditex

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OUR VISION OF SUSTAINABILITY

INDITEX'S ENVIRONMENTAL In all of its business areas, Inditex implements sustainable development standards that promote environmental protection, ensure that resources are properly managed and meet society's needs.

SUSTAINABILITY POLICY

The core of Inditex's strategy is described by the Group Sustainability Policy which forms the matrix supporting our environmental management activities and from which the strategic pillars arise. This policy, which is available in full at www.inditex.com, contains the following key principles and commitments:

- + Inditex is committed to consider the full environmental and social components and impacts of its activities, especially as related to climate change and the management of scarce resources, like energy and water. Social and environmental variables will be considered and observed in the planning and development of Inditex' own activities and those of our business partners, by promoting environmental awareness among our staff, suppliers and in society in general.
- + Inditex is committed to strict compliance with all environmental legislation applicable to its activities, as well as to further obligations which it undertakes and commits to on a voluntary basis. Through these activities Inditex makes a special effort to prevent pollution and minimize as much as possible the potential environmental impacts generated by

its supply chain, both on natural resources and in the community.

- + Inditex is committed to preserve the environment through the development of continuous improvement actions to reduce its direct and indirect emissions of greenhouse gases. In addition, Inditex is committed to reduce its consumption of natural resources and to the eradication of the use of materials that may harm the environment, the stakeholders of its environmental management system or the broader community.
- + Inditex is continuously identifying potential sources of environmental risks which may arise from its activity in order to prevent and/ or repair them in the hypothetical case that an unforeseen event should occur.
- + Inditex ensures the dissemination of its Sustainability Policy among all relevant stakeholders, its employees and the broader society and has established channels of fluid communication with the relevant authorities, agents and local communities concerned.

Based on our Environmental Sustainability Policy this Strategy is intended as an integrated reflection of our commitment to biodiversity through our business strategies.

1.2 The Biodiversity Strategy Approach

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Founded on the principles of inclusiveness, collaboration and transparency, the Biodiversity Strategy is enacted through the execution of master plans for each of the key areas of our value chain (e.g. raw materials, manufacturing, logistics, stores and offices, use, end of life) and a system of indicators which will help our management team understand and manage the biodiversity footprint of our global operations.

In order to protect, preserve, and develop biodiversity, Inditex will align itself with the UN Convention on Biological Diversity

Strategic Goal A: *Increase the awareness level on the importance and value of biodiversity.*

Inditex will contribute to identifying biodiversity benefits and services in order to measure and protect their environmental value, which will ultimately enhance biological resources. Ecosystem services include:

1. Supporting Services (such as seed dispersal and nutrient cycling)
2. Provisioning Services (e.g. food, materials, water)
3. Regulating Services (e.g. carbon sequestration, climate regulation, crop pollination)
4. Cultural Services (recreational and spiritual experiences)

Strategic Goal B: *Reduce the direct pressures on biodiversity and promote sustainable use.*

Inditex aims to relieve pressure and demand on ecosystems, by working towards minimising our reliance on natural resources. This entails working internally, with our supply chain partners and also with industry peers to develop and implement more efficient processes and innovative technologies.

Inditex strives to promote sustainable use and end of life of products through working with consumers and the collecting and recycling industries, in addition to reducing our direct business pressures on biodiversity.

Strategic Goal C: *Improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity.*

Inditex will work internally and with raw material suppliers -where biodiversity may be most directly impacted to encourage production and sourcing of materials that enhance biodiversity through sustainable management of land, measures to promote genetic diversity and reduce fragmentation of ecosystems.

Inditex is already committed to not owning, leasing or manage land in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

We will additionally invest in projects and action plans which help maintain capacity of ecosystems to provide the identified services.

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BIODIVERSITY ACROSS THE INDITEX VALUE CHAIN

2.1 General Criteria

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Unlike other environmental impacts such as carbon emissions and water consumption, there is no standard measurement for biodiversity.

However, we can ensure the measurement and reporting of indicators such as: water quality, emissions and use of resources, which have a direct impact biodiversity. We can also influence the impacts we have on biodiversity through our suppliers, and report on the number of projects for biodiversity conservation or restoration that we either directly participate in or fund. We aim to embed a biodiversity agenda into our day-to-day business decisions.

2.2 Raw Materials

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Many of our business impacts on biodiversity occur at the early stages of the supply chain. Natural fibers are a good example of how raw material inputs are directly related to biodiversity in the Inditex context. For instance, conventional cotton requires agrochemicals such as fertilisers and pesticides and is water intensive.

Inditex will work to understand these impacts and reduce them through:

- Progressively and consistently increasing the use of more sustainable alternatives -certified, where possible.
- Avoiding sourcing materials that pose a risk to endangered species, animal well-being and forests.
- Working with its supply chain partners to implement best practices including training and guidance.

- Participating in projects to improve biodiversity in the regions in which we operate, with focus on projects related to our business activities.

2.3 Manufacturing and Processing

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Air, land and water pollution derived from manufacturing and processing, stand as the most significant impact on biodiversity in this phase.

Inditex believes that many of its activities contemplated within our Global Water Management Strategy and our Global Energy Strategy will positively impact biodiversity.

Resource efficiency and waste reduction actions will be encouraged as a means to achieve a more sustainable production, and reducing the demand on natural resources and ecosystems.

2.4 Headquarters and Retail Sites

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The biodiversity impact at our retail sites and offices is considered to be minimal.

Our environmental policy is implemented within retail stores through the Manual for their design, construction, maintenance and the eco-efficient store management.

Inditex will also work to ensure that our general procurement service embeds biodiversity protection and development into their purchasing practices, following the leading example of our furniture and paper sourcing policy.

2.5 Logistics

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Inditex works to improve efficiency throughout its logistics channels. This reduces the amount of energy used in our operations and supply chain, which in turn reduces greenhouse gases, air pollution and has a smaller impact on biodiversity.

Our environmental policy is implemented within logistics through our Manual for eco-efficient logistics, infrastructure and operations.

2.6 Consumer Use and Disposal

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The biodiversity impacts of consumer use and disposal of Inditex products will be considered in the context of our growing engagement in this value chain stage.

The emissions associated with the use of electricity to wash, iron and dry clothing are considered within the Energy Strategy; and water use within the Global Water Management Strategy.

Disposal of any garments to landfill and incineration can have biodiversity impacts, both from the emissions generated by the decomposition or burning of the clothing and from the land use change necessary to build the landfill or incineration plant.

Moreover, smart end of use practices offer large opportunities in terms of natural

resources savings. Inditex knows the importance of investing in enhanced product design and strive for an eventual 'closed loop' business model.

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INCLUSIVENESS AND COLLABORATION

Biodiversity is complex and multifaceted, therefore Inditex is working with its stakeholders at many levels to attain the most effective approach to protect biodiversity locally and globally.

3.1 Joining International Programmes

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International programmes bring parties together from across borders, generating alternative approaches and methods to protect, preserve and develop biodiversity. Inditex works with international groups when appropriate as a means to form unified action groups with consistency and joint input for greater benefit. Examples of International groups Inditex has joined in efforts to protect biodiversity include:

- Better Cotton Initiative (BCI)
- International Alliance on Forest Products
- Sustainable Apparel Coalition
- Textile Exchange

3.2 Bilateral Collaboration with Companies and other Social Agents

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Inditex works to establish a network of bilateral relations with likeminded companies holding similar goals on biodiversity. Additionally, we believe it is important to share and discuss our biodiversity related policies and activities with organizations that might be affected by them at the local level.

3.3 Funding for Biodiversity Research and Conservation Projects

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Projects funded by Inditex are selected by a sustainability committee on a case by case basis taking into account the biodiversity strategy framework and prioritizing those sectors directly or indirectly affected by our operations in areas where our goods are produced.

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TRANSPARENCY AND EVALUATION

4.1 Monitoring Procedures

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Inditex will be fully transparent around our actions and impacts on Biodiversity. Progress within the Biodiversity programme will be included in our annual report, developed in accordance with the *Global Reporting Initiative* (GRI) and the principles of the United Nations Global Compact.

Organizational adjustments such as managerial procedures and internal control systems will be made in order to properly implement the Biodiversity Strategy.

4.2 Dissemination

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For the strategy to be successful, it is important that the message is spread across stakeholders. We will work to make sure the strategy and subsequent action plans are shared amongst our employees, suppliers and other stakeholders. This should increase the awareness and knowledge about our Biodiversity Strategy and generate a positive attitude to solve the problems surrounding the use of natural resources and the stakeholder involvement required from all sides.

The Biodiversity Strategy has been developed as a dynamic framework which will evolve with time as new projects become apparent and potential collaborations arise. Suggestions, questions and clarifications are welcomed, and all communication in this regard should be sent to INDITEX, Department of Environmental Sustainability, Avenida de la Diputación s/n, 15143. Arteixo, A Coruna (Spain).

4.3 Evaluation

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This strategy is subject to an evaluation process involving all Inditex departments. Targets and progress will be verified by an independent body on an annual basis through the overall verification process of our Sustainability Report.