

INDITEX

**GLOBAL
ENERGY
STRATEGY**

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Guidelines and actions

to promote sustainable energy practices

throughout the Inditex value chain

VERSION 2.0 – 2015

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GLOBAL VIEW

Energy is a critical component of the fashion retailing business and its efficient and low impact utilization is core to the Inditex approach to Sustainability. Inditex is conscious of the inherent value and scarcity of energy resources and the need to have access to the right energy mix in order to guarantee supply.

Inditex's Global Energy Strategy is one of the core pillars of its sustainability commitment. Our Global Energy Strategy seeks to drive the rational and efficient use of energy throughout the Inditex value chain while simultaneously reducing greenhouse gas emissions and aiding in the mitigation of their effects.

Inditex's Global Energy Strategy is framed in the long-term context of the UN Secretary General's commitment to Sustainable Energy for All by 2030 and Europe's Energy Roadmap 2050. Inditex's targets for energy efficiency and greenhouse gas emissions reductions are aligned with and coherent within the UN 2030 objectives and Europe's 2020 targets and Inditex's supplier activities are helping move towards the UN SEA goal to increase access to modern energy services in countries where this is of priority concern.

Fundamentally, Inditex's Global Energy Strategy considers the energy vector at four discrete levels:

- + **Direct Energy Use** – in our shops, offices and logistical centres.

- + **Indirect Energy Use** – by our suppliers in garment manufacture, transportation, packaging and delivery and by their suppliers at every juncture of the fashion process;

- + **Energy Sourcing and Production** – the kind of energy we are using and how it is produced, together with the direct and indirect emissions impacts of this energy production and their mitigation;

- + **Implied Energy and In-Use Requirements** – through the nature and design of our stores, logistic centres and products, the materials used to produce them, the recyclability of them after use and their in-use energy requirements.

The Strategy sets out our long term approach, and is dynamic, marking guidelines, targets and actions for progress. Inditex and its stakeholders -suppliers, clients, employees, energy thought leaders, NGO's, etc., all form a part of a living and learning network through which knowledge and experience is fed back to impact, adapt and improve the strategy and practices to move towards sustainable production with lower energy use and better energy sources.

Arteixo,

1.1 Environmental Sustainability policy at Inditex

OUR VISION OF SUSTAINABILITY

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.

INDITEX'S 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's 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 our 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 sustainable energy use through our business strategies.

1.2 The Energy Strategy Approach

Since the early 1990s Inditex has developed ways to improve its energy efficiency and reduce greenhouse gas emissions, as detailed in our annual sustainability reports and as described through the positive evolution of key indicators impacted by our specific company-wide initiatives. The present strategy represents a consolidation of prior achievements coupled with a new level of ambition and activity enabled through technological advancement and as a direct response to new global challenges in the sector with a particular focus within our supply chain

Founded on the principles of inclusiveness, collaboration and transparency, the Global Energy 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 management understand

and manage the energy footprint of our global operations.

The four main objectives of the Global Energy Strategy are:

- + Reduce the overall energy consumption of Inditex's value chain, with a particular focus on the reduced use of energy sourced or derived from fossil fuels.
- + Decrease Inditex's energy intensity per fashion garment sold through a sustainable and long-term initiative to de-couple the amount of energy required through-out the value chain to bring each fashion product to market.
- + Reduce the direct and indirect emissions of greenhouse gases produced in Inditex's value chain through more sustainable energy use, management and sourcing practices.
- + Reduce the energy and emissions related to the production, in-use and post-use phases of our products' lives through more sustainable materials use, recycling initiatives and through smart and sustainable design.

In line with the EU 2020 targets and those in countries where Inditex is present, by 2020, Inditex has two energy related targets, taking the operations of 2012 as a reference.

- + To reduce by 15% the energetic intensity of own operations for each garment placed on the market;
- + To decrease the use of energy in stores by 10%

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**GLOBAL ENERGY
STRATEGY ACROSS THE
INDITEX VALUE CHAIN**

The core of Inditex's Global Energy Strategy is based around the integrated and long-term efficient use and management of increasingly scarce and costly energy resources.

This strategy will be articulated through activities around the following focus areas:

- + Own operations: Directly reduce energy use and implement low carbon energy technologies within Inditex controlled facilities and operations – such as stores, office buildings and logistics and distribution centres;
- + Supply chain: Indirectly reduce energy consumption and encourage efficient processes through Inditex's increased engagement with its suppliers, and in conjunction with leading industry coalitions and external experts specialised in the geographies and industries concerned;
- + Product design: Through intelligent and sustainable design impacting the implied energy demands of Inditex fashion products during their production (e.g. raw materials) use phase (such as washing) and end-of-life (e.g. recycling);
- + Product use: Inditex intends to review and improve garment labelling in order to reduce wasted energy during the "In-use" phase of its products life-cycle, by encouraging more efficient consumer behaviour.
- + End of life: Not only through design but also promoting 'closed loop' oriented solutions directly at the end of our products' life. This should encourage availability and use of recycled fibers with lower energy input.

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INCLUSIVENESS AND COLLABORATION

Energy is complex and multifaceted, and for the most effective approach to lower energy use and better and safer energy sources globally, Inditex is working with stakeholders at many levels, including the following:

3.1 Joining International programmes

International programmes bring parties together from across borders, generating alternative approaches and methods to energy use. Inditex works with international institutions and 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 enhance energy use and sourcing include:

- Economics for Energy
- Energy Lab
- The Sustainable Apparel Coalition
- Universidad de Vigo

3.2 Bilateral collaboration with companies and other social agents

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 on our energy related policies and activities with organizations that might be affected by them at the local level.

3.3 Funding for energy and emissions research and projects

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, distributed and marketed.

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TRANSPARENCY AND EVALUATION

4.1 Monitoring procedures

Inditex will remain transparent about our actions and impacts regarding Energy. Progress within the Energy 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 management procedures and internal control systems will be made in order to properly implement the Energy Strategy.

4.2 Dissemination

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 the Energy Strategy while generating a positive attitude on the problems surrounding the use of water and the involvement required from all sides.

The Energy Strategy has been developed as a dynamic report, and 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, 15142. Arteixo, A Coruna (Spain).

4.3 Evaluation

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.