

**FOREST PRODUCT POLICY TO
PROTECT ANCIENT AND
ENDANGERED FORESTS**

**INDUSTRIA DE DISEÑO TEXTIL, S.A.
(INDITEX, S.A.)**

1. MISION OF THE POLICY

This Inditex Forest Product Policy to Protect Ancient and Endangered Forests (hereinafter, the “Forest Product Policy”) has been approved and published on the Inditex website in 2015.

Through this Policy, Inditex undertakes to protect ancient and endangered forests, constituting a guide for the selection and use of raw materials of forest origin, ensuring that they come from sustainably managed forests.

2. SCOPE OF APPLICATION

This Policy shall be globally enforced and mandatory to all the companies which make up the Inditex Group and binding for all their employees, regardless of their position and office.

3. PRINCIPLES WHICH GOVERN THE FOREST PRODUCT POLICY

Inditex integrates sustainable development, attention and appraisal of ecosystems, and environmental management, in all its activities and business areas, undertaking its co-responsibility and meeting society’s demands. We expect such integrated view to expand throughout our supply chain, be assumed by our main stakeholders and to be shared by all those who are part of the Inditex Group.

In this context and within the framework of our Environmental Policy as well as our Water, Biodiversity and Energy Strategies, we are undertaking actions, both on our own and together with others, aiming at preserving natural resources, in line with our commitment to being an environmentally and socially sustainable company.

This policy guides the Group’s purchasing of paper products (bags, hang tags, office supplies, etc.), furniture, commercial products using wood as a raw material and man-made cellulosic textiles made from dissolving pulp¹ with the goal of avoiding the use of timber or pulp sourced from:

1. Ancient and endangered forests, including Indonesia’s Rainforests, Coastal Temperate Rainforests of North America, Canada and Russia’s Boreal Forests, and Rainforests in Africa and South America (i.e. the Amazon);
2. Forests logged illegally²;
3. Tree plantations³ established through the conversion of natural forests since 1994; and,
4. Endangered species habitats.

3.1. Support for more sustainable raw materials

Inditex gives purchasing preference to forest products with high-recycled content, and/or post-consumer waste, and encourages suppliers to continuously maintain, improve and expand the availability of such products.

Whenever products with high-recycled content and/or post-consumer waste are not available, Inditex gives purchasing preference to forest products sourced from sustainably managed plantations or forests certified to an independent third-party forest standard that meets the following criteria:

- Preserves “High Conservation Value Forest Areas” for conservation of their biodiversity;
- Requires auditing of forest tenures and system in place to address risk;
- Recognizes traditional and indigenous rights;
- Specifies the minimum level of performance or results that must be achieved in a forest area;
- Has broad support and meaningful engagement of stakeholders representing social, economic and environmental factors;
- Considers the use of environmentally friendly processing and manufacturing processes⁴.

Inditex supports the use of raw material sources that reduce environmental and social impacts where possible, such as paper and man-made cellulose fibers from agricultural residues⁵ or other innovative alternative origins.

3.2. Minimum requirements for paper products and furniture

Inditex prioritizes the certification of its paper, wood and furniture products under the Forest Stewardship Council (FSC) standard. As a transitional measure, and in those cases where it is not possible to obtain products with these characteristics, as a minimum requirement, certification based on the PEFC international standard or equivalent is required.

When these types of products are made from timber sourced from countries with ancient and endangered forests, we will avoid sourcing from these ancient and endangered forests and also require Forest Stewardship Council (FSC) certification.

3.3. Minimum requirements for products made using man-made cellulosic fibers

Inditex is committed to using reasonable efforts so that its supply chain protects ancient and endangered forests and the ecosystem values they contain such as clean water, carbon storage and biodiversity.

To do this, Inditex is implementing programmes aimed at ensuring that its products do not contain fiber made from dissolving pulp sourced from any of the unwanted sources set above. To accomplish this, Inditex will:

- Require fiber producers to show their commitment toward the conservation of ancient and endangered forests. In this context, starting 2018, access to the supply chain will not be granted for fiber producers who have not moved towards solutions aimed at reducing the risk of sourcing from such ecosystems⁶.
- Support implementation of visionary and collaborative solutions in key ancient and endangered forests (i.e. The Great Bear Rainforest Agreements⁷).
- Support collaborative processes that advance transparency in the supply chain regarding the implementation of this forest product policy.
- Use, when appropriate, independent third-party certification and verification audit systems.
- Consider the application of the forest certification to fabrics and apparel fibers throughout the supply chain.

If, at any time, we find that any fibers come from any of the unwanted sources above, Inditex undertakes to act with its suppliers consistently with the commitment hereunder assumed.

4. DISCLOSURE OF THE FOREST PRODUCT POLICY

Transparency is an essential principle that inspires Inditex in respect of its communication activities with all those groups who are related with the Company, in one way or another. To achieve this, the Group relies on several communication tools, among which the Annual Report can be underscored, which is based upon best practices in the area of reporting and shows Inditex's significant economic, environmental and social impacts and its corporate website (www.inditex.com).

The Group plays an active role in the most innovating global initiatives in the area of reporting, including into the Annual Report the best practices to provide transparent, true relevant and accurate information.

Meanwhile, the Group's corporate website, in addition to serving as repository support for the Annual Reports, supplements the information in the Environmental Sustainability area with policies and other related documentation.

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1. Wood-based dissolving pulp fibres include, but not only, rayon/viscose, lyocell, and modal.
2. Legal forest management is management that complies with all applicable international, national, and local laws, including environmental, forestry, and civil rights laws and treaties.
3. A forest established by planting or/and seeding in the process of afforestation or reforestation. It consists of introduced species or, in some cases, indigenous species. Source: Convention of Biological Diversity referencing Food and Agricultural Organization of the United Nations: <https://www.cbd.int/forest/definitions.shtml>
4. Inditex works with the Changing Markets Foundation to ensure sustainable production of man-made cellulosic fibres along the entire supply chain, supporting the *Roadmap towards responsible viscose & modal fibre manufacturing* promoted by this organization. The roadmap for achieving this goal can be consulted on the Changing Markets Foundation's website: <https://changingmarkets.org>
5. Agricultural residues are residues/by-products left over from food production or other processes.
6. Inditex will put in place and maintain clear minimum requirements for our supply chain partners. One of our key references will be the products and reports of the CanopyStyle initiative. Canopy periodically updates a detailed matrix of viscose fibre producer performance (*The Hot Button Issue*). The pathway that forms the basis for this was developed by the CanopyStyle Leaders for Forest Conservation, where Inditex is a founding member. The best placed manufacturers in such ranking will be promoted through initiatives such as *join life*, and access to the supply chain will not be granted for those that do not comply with the minimum requirements. The updated ranking, as well as the audits that inform the ranking can be consulted on Canopy's website: www.canopyplanet.org
7. Conservation solutions are now finalized in the Great Bear Rainforest, located in coastal temperate rainforests that originally covered 0.2% of the planet, and where now less than 25% of the original forests remain. On February 1st, 2016 the Government of British Columbia, First Nations, environmental organizations and the forest industry announced 38% protection in the Great Bear Rainforest and an ecosystem-based management approach that will see 85% of this region off limits to logging. Provided these agreements hold – sustainable sourcing has been accomplished in this ancient and endangered forest.