SUSTAINABILITY POLICY

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

APPROVED BY THE BOARD OF DIRECTORS ON 9 DECEMBER 2015 AND AMENDED ON 14 DECEMBER 2020
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1. Definitions

For the purposes hereof, the terms herein defined shall have the following meaning:

- **Inditex** (also, the “Company”): Industria de Diseño Textil, S.A. (Inditex, S.A.), parent company of the Inditex Group (as defined below).
- **Inditex Group** (also, the “Group”): group of companies in which Inditex holds directly or indirectly at least 50% of the share capital or of the voting rights.
- **Stakeholders**: employees, customers, shareholders, manufacturers and suppliers, business partners, non-governmental organizations, local communities and the society at large.
- **Sustainability**: at Inditex, sustainability is understood as a range of fashion goods offered on the market that fully respects Human and social Rights across the entire value chain and meets the most exacting environmental and health and safety standards, all of which on the basis of transparency and permanent dialogue with the Stakeholders of the Company.

2. Mission and Purpose of the Policy

2.1. Mission of the Sustainability Policy

The Sustainability Policy (the “Policy”) seeks to define the principles that sustain the relations of the Inditex Group with all its Stakeholders, favouring the integration of sustainability practices within its business model, ensuring that its business activity is carried out with full respect for people, the environment and the community at large, based upon the commitment the company has made to respecting Human Rights and to sustainable growth.

2.2. Purpose of the Policy

The values arising from this Policy inspire the proceedings of the Group and in particular, of the board of directors and its committees, and guide their decision-making.

The Policy also facilitates understanding, dissemination and enforcement of Inditex’ corporate ethical culture, firmly rooted in its sustainable business model.

3. Scope of application

This Policy shall apply to Inditex and its Group. It shall be binding for the entire staff, regardless of their job and position.

The enforcement of this Policy, in full or in part, may extend to any natural and/or legal person associated with Inditex on any terms other than an employment relationship, where this is practicable on account of the nature of the relationship and may be appropriate to meet its purpose.

4. Related policies

The Policy is related with the following internal regulations that implement the principles herein set out:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
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- Green to Wear, Clear to Wear, Safe to Wear and I+ (IPLUS: Inditex Precautions and Limits for Users’ Safety) standards.
- The Forest Product Policy.
- The Diversity and Inclusion Policy.
- The Corporate Citizenship Policy.
- The Regulations of the Social Advisory Board.
- The Audit and Compliance Committee’s Regulations.
- The Sustainability Committee’s Regulations.
- The Regulations of the Committee of Ethics.
- The Ethics Line Procedure.
- The Compliance Policy.
- The Integrity Policies.

5. Principles with govern the Group’s Sustainability

In the conduct of its business, the Inditex Group integrates sustainable development criteria in all its business areas, ensuring respect and promotion of Human and labour rights of all its stakeholders, an efficient management of natural resources and an appropriate protection of the environment where it operates and its eco-systems, in line with environmental principles consistent with planetary boundaries.

To implement this Policy, Inditex undertakes to abide by the following principles and enforce them on its value chain:

a) Considering social, environmental and health and safety of the product variables upon planning and implementing both its activities and those of its business partners and suppliers, encouraging awareness-raising regarding sustainability.
   i. Social variables include, without limitation: workers participation, women empowerment, living wages and occupational health and safety.
   ii. Environmental variables include, in particular the consequences of climate change, water management, waste management and protection of biodiversity.
   iii. With regard to health and safety of the product variables, the use of chemicals and production processes that are environmentally sound and safe for human health are noteworthy.

b) Complying with applicable labour, environmental and Human Rights laws and regulations relating to its business activities, as well as with other obligations which may be established, including those that the Company undertakes of its own accord.

c) Preserving the environment, implementing actions for continuous improvement regarding reduction of direct and/or indirect greenhouse gas emissions, natural resources consumption reduction, control and spill of potentially hazardous chemicals and cutting waste within the entire production line and in its environmental management system as a whole.

d) Identifying potential social and environmental risk arising from its business, for the purposes of preventing them, or, where appropriate, implementing the relevant measures aimed at minimizing or removing them. In this regard, Inditex relies on a due diligence procedure in
the field of Human Rights and a process to identify and assess environmental risks, allowing it to have objective information thereon.

e) Ensuring the circulation of this Policy among its employees and the companies within its Group.

6. Integrating sustainability in Inditex’s business model

Inditex’s approach to sustainability forms part of its values and its corporate ethical culture. It relies on all business units leveraging their efforts to achieve the goal of being a sustainable company.

Inditex is committed to creating economic, social and environmental value for all its Stakeholders, to ensure the largest positive impact and contribute to sustainable development.

To build long-term value across its entire value chain, the Company relies on the following pillars:

6.1. Contribution to Sustainable Development

Inditex is committed to the United Nations 2030 Agenda for Sustainable Development, and has aligned its sustainability strategy accordingly. This roadmap is common to all the actors that play a role in sustainable development, spanning governments, private companies and the civil society. As such, it represents an opportunity for the Company to align its contribution to sustainable development and maximise its positive impact together with its stakeholders, giving rise to Partnerships for the Goals, as provided in SDG 17.

This commitment extends to the entire company and encompasses all 17 Sustainable Development Goals (SDGs) and their targets. However, due to the sector, the context and the nature of our own business model, there are certain SDGs where the Company makes a larger contribution. Key areas include SDG 3 (Health and Well-being), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 12 (Sustainable Consumption and Production), SDG 13 (Climate Action) and SDG 17 (Partnerships for the Goals).

The company’s contribution to the global achievement of all 17 Sustainable Development Goals and their targets extends to the entire value chain. All business areas make efforts towards accomplishing SDG: from production of goods to stores, including all processes and areas across the Company.

6.2. Human Rights

The Inditex Group is strongly committed to promoting and respecting Human Rights, as is reflected in its Policy on Human Rights. In the framework of the United Nations Guiding Principles on Business and Human Rights, the Group acknowledges that respect for Human Rights is essential and key in terms of sustainable development and seeks to play a key role in promoting them and work proactively to respect them.

Thus, the Human Rights Strategy of the Inditex Group seeks to ensure respect for human rights across its entire value chain. Such strategy is built upon three pillars: (i) the Policy on Human Rights of the Inditex Group; (ii) Due diligence processes by virtue of which Inditex identifies potential impacts on Human Rights across its value chain; and, (iii) the Ethics Line managed by the Committee of Ethics, as a grievance mechanism available to Inditex employees and third parties with legitimate interests.

6.3. Diversity and Inclusion

Inditex is fully committed to diversity and multiculturalism. Its teams include people from a wide range of cultures, backgrounds, and experiences, including a mix of gender, gender identity and expression, race, ethnicity, age, education, socioeconomic groups, disabilities, religious beliefs,
sexual orientation, etc. The Company acknowledges that our differences and similarities make us unique and promotes respect and understanding between people. It firmly believes that by attracting diverse talent it will be able to better understand the diverse background of the customers and communities it is related to.

Inditex champions a culture of inclusion and respect. It advocates for equitable workplace environments where anyone can thrive and succeed fostering an atmosphere of understanding and acceptance in the workplace, where anyone can develop their talent every day. The company is committed to creating working employees where all employees are responsible for treating their co-workers, candidates, suppliers, contractors and clients with the utmost respect.

The company has a zero tolerance policy against any kind of discrimination. This Policy applies to all corporate proceedings, in particular in the field of human resources: recruitment and selection of candidates, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, demotions, terminations and other disciplinary actions, without limitation.

Inditex’s commitment to diversity relating to its proceedings and its employees, officers and directors is addressed and covered in the Diversion and Inclusion Policy of the Inditex Group.

Such commitment further extends to the workers of all the suppliers and manufacturers across the Group’s supply chain.

6.4. Environmental Sustainability

Inditex understands that advancing towards a sustainable business model entails a more efficient use of the resources it uses. The Company has in place three environmental strategies (Energy, Water and Biodiversity), which guide its efforts towards achieving environmental excellence.

The Group pursues a more efficient use of resources not only in the products it places on the market but also at its facilities: headquarters, stores and logistics centres. In addition, circularity is key in advancing towards decarbonisation of the value chain. Based upon the principles of circular economy, air quality can improve, clearer and healthier water can be available and protection of biodiversity is reinforced.

Inditex is committed to protecting and developing the planet through the responsible and sustainable management of natural resources. This commitment is addressed in the Group’s Biodiversity Strategy, based upon the principles of the UN Convention on Biological Diversity, to protect diversity at all levels of our operations and to guide us day-to-day towards the most environmentally and ethically responsible business decisions.

6.5. Animal Welfare

The Animal Welfare Policy states that:

- Animal products must come from animals that have been treated ethically and responsibly, based on the internationally accepted "Five Freedoms" for animal welfare.
- Animal products from slaughtered animals must come from species reared in farms to obtain meat.
- We will never use products from animals slaughtered exclusively for their skin, shell, horn, bone, feather or down.
- We will never sell cosmetic products that have been tested on animals at any stage of production, or that contain ingredients of animal origin.
6.6. Product Health and Safety

Inditex has in place the most exacting product health and safety standards, which are mandatory and which apply to all the goods it sells, and are a benchmark for manufacturing practices of all the suppliers across its supply chain.

To ensure that all its products meet the exacting health, safety and environmental sustainability standards, the company has implemented a strategy based upon control and improvement of quality at all production stages. Such strategy is mandatory across the entire supply chain.

6.7. Tax responsibility

The tax strategy of the Group is fully aligned with applicable international tax standards, in such a way that the existence of a transparent tax compliance model based upon good tax practices is ensured, enabling a fair tax contribution by the Group in each of the markets where it operates.

Tax commitments are addressed and covered in the Tax Policy and Strategy of the Inditex Group.

6.8. Compliance and corruption and bribery prevention

The Inditex Group maintains a zero tolerance policy against any practices associated with corruption, fraud and bribery.

As part of this commitment, Inditex relies on a structure of high level basic standards and a number of organizational documents which constitute the main pillars of its Compliance system: (i) the Code of Conduct and Responsible Practices; and, (ii) the Code of Conduct for Manufacturers and Suppliers.

Likewise, Inditex also relies on an organizational and management model to prevent corruption, built upon the Model of Criminal Risk Prevention and the Model for Corruption Prevention.

Furthermore, Inditex has implemented a number of high-level standards in the field of bribery and corruption (the Integrity Policies of the Inditex Group):

a) The Policy on Donations and Sponsorship.


c) The Policy on Relations with Civil Servants.

d) The Conflicts of Interest Policy.

Finally, as a demonstration of its unwavering commitment to anti-money laundering and the prevention of terrorist financing activities and its will to work with the competent authorities in the area, Inditex has an Anti-Money Laundering and Terrorist Financing Policy. This Policy defines the due diligence processes implemented within the Company, further developed in the Due Diligence Policy and Procedure of the Group.

7. Principles that govern relations with Stakeholders

Permanent dialogue and transparency are the core principles that govern Inditex’s relations with its Stakeholders.

Through the permanent dialogue, Inditex identifies the issues that most interest those who, in one way or another, interact with the Group. Thus, the conduct of materiality tests (or the identification of relevant matters for the Company and its Stakeholders) allows Inditex to ensure that its strategy is aligned with the concerns and expectations of those engaged in relations with the Company or who are affected by its business, in addition to helping define the contents of its Annual Report.
Such concerns and expectations, together with the sustainable building of value, give meaning to the programs that Inditex implements, and allow the Company to tackle the challenges and opportunities it may be faced with in the conduct of its business.

7.1 **Inditex’s main Stakeholders**

7.1.1 **Customers**

Inditex’s commitment to its customers is present in the entire business model of the Group, in all its work areas and, especially, in the products it sells. The main principles which govern the relations of the products that Inditex sells with its customers are:

a) Responsible design of garments, fostering the use of raw materials and textile fibers obtained from traditional growth and sustainable fibers.

b) Ethical and responsible production of goods, as laid down in Inditex’s Code of Conduct for Manufacturers and Suppliers.

c) Compliance with the most exacting health and safety standards, based upon the Company’s own standards covered in *Clear to Wear, Safe to Wear* and *I+ (IPLUS: Inditex Precautions and Limits for Users’ Safety)* standards.

7.1.2 **Employees**

Inditex’s employees are key to ensure business sustainability. For that reason, Inditex strives to attract, retain and engage the best professionals, ensuring that they provide the best service to its customers.

The principles which govern the relations of Inditex and its employees are:

a) respect for diversity, non-discrimination in the workplace by reason of gender, race, age, ethnicity, religion or any other circumstance.

b) Promoting stable work, work flexibility and work-family balance as well as occupational health and safety of its employees.

c) Encouraging equal opportunities of all its employees, aiming at achieving a balance representation of duties and responsibilities.

d) Offering awareness-raising schemes to employees so that they become aware of social and environmental issues, including measures to foster best practices for environmental management and personal welfare.

e) Inditex’s employees must behave in strict compliance with the spirit and the letter of the provisions of the Code of Conduct and Responsible Practices. Thus, every person employed by the Company shall be treated in a fair and decent manner.

The principles which govern the relations of Inditex and its employees, in addition to those described in Section 3 of the Code of Conduct and Responsible Practices and in section 3.3 of the Policy on Human Rights are:

a) Team work

b) Open communication

c) Maximum self-reliance level
7.1.3 Manufacturers and Suppliers

All manufactures and suppliers which comprise Inditex’s supply chain shall be bound to abide by the principles laid down in the Code of Conduct for Manufacturers and Suppliers and in the Code of Conduct and Responsible Practices, implemented herein. Namely, the following principles may be underscored:

a) compliance with labour laws and regulations in force in the countries where the Group is present, and with the International Labour Organization Conventions and other international standards, being especially observant of Human Rights within the framework of the United Nations Guiding Principles on Business and Human Rights.

b) Encouraging sustainable production environments in geographic areas that are strategic in the implementation of Inditex’s business model.

c) Constant improvement process through social dialogue and coordination with the different Stakeholders of the company, namely with trade unions, non-governmental organizations, business associations and international buyers.

d) Compliance with environmental standards set by Inditex including, where appropriate, measures to curb and set-off such impact as are required to enforce such standards. In addition, manufacturers and suppliers shall be permanently committed to protecting the environment and complying with the Clear to Wear standard, as well as with any other requirements laid down in applicable local and/or international laws.

7.1.4 Shareholders

Inditex conducts its business in accordance with corporate interest, understood as the feasibility and maximization of the company’s value in the long term, in the common interest of all shareholders.

The principles which govern the relations with shareholders are covered in the Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors, including the following:

a) Transparency.

b) Encouraging informed participation

7.1.5 Community

The Inditex Group understands investment in the community as an opportunity to contribute to the UN 2030 Agenda for Sustainable Development by applying its business resources, both in cash and in kind or in terms of time allocated by its staff. This way of understanding the strategy regarding corporate community investment is addressed in the Corporate Citizenship Policy and is based upon the following premises:

a) Inditex adopts socially responsible practices that create value for the community and the company.

b) Investment in the community actions carried out by the different Group companies are aligned with the corporate strategy.
c) Ensuring a high level of reputation, transparency and best practices by social organizations which implement the projects in which Inditex is involved.

Inditex’s model for investment in the community is embodied in specific projects which address the following issues:

- Emergency Relief: understanding as such all relief actions focusing on protecting life, health and wellness of people in emergency situations on account of natural disasters or similar circumstances;
- Social welfare: understanding as such all initiatives which encourage employment and entrepreneurship of vulnerable groups, encouraging labour integration of people at risk of social exclusion; and
- Education: understanding as such proceedings focused on providing opportunities through quality education which gives young people the opportunity of a decent life and encourages social justice and their personal growth.

7.2. Special reference to the Environment

Inditex’s business shall be conducted in the most environmental-friendly manner, encouraging biodiversity preservation and sustainable management of the natural resources, as it is inferred from the Group’s Environmental Policy. In accordance with Paris Agreement, reached in 2015 in the framework of the United Nations Framework Convention on Climate Change, the principles which govern the proceedings of the Group with regard to the environment are:

a) compliance with the applicable environmental laws and regulations and with other obligations which may be established, paying special attention to pollution prevention and minimizing, where possible, the potential environmental impact that its supply chain generates, both as regards natural resources and people.

b) Preserving the environment, implementing actions for continuous improvement regarding reduction of direct and/or indirect greenhouse gas emissions, natural resources consumption reduction, control and spill of potentially hazardous chemicals and our environmental management system as a whole

c) Considering the consequences of climate change, water management and protection of biodiversity, upon planning and implementing its activities and those of its business partners, manufacturers and suppliers, encouraging awareness-raising regarding environmental issues.

The Sustainability Policy has resulted in 3 environmental sustainability strategies defined by Inditex: (i) the Water Management Strategy; (ii) the Global Energy Strategy, and, (iii) the Biodiversity Strategy arise out of this Sustainability Policy. All of them are posted on the website: www.inditex.com.

Within the framework of this Policy and in line with these 3 strategies above referred, Inditex is also committed to protecting forest products, with the main goal of ensuring the protection of ancient and endangered forests, as provided in the Forest Product Policy.

8. Supervision and advice mechanisms

The Sustainability Committee is the consulting and advisory board committee responsible for overseeing and monitoring the motions on sustainability and the relations with the different Stakeholders. The Sustainability Committee is entrusted with overseeing this Policy with regard to issues that fall within its purview.
Meanwhile, the Audit and Compliance Committee, in addition to overseeing this Policy with regard to issues that fall within its purview, is responsible for overseeing and monitoring the risks arising from the proceedings of the Group with regard to the Policy, as part of its duties to oversee and monitor the effectiveness of the internal control and risk management systems.

The Audit and Compliance Committee carries out its oversight duty in the framework of the Enterprise Risk Management Policy that sets out the overarching principles, key risk factors and the general framework for action with regard to management and control of risks, both financial and non-financial, that affect the Group.

Likewise, the Group relies on a Committee of Ethics, the internal body that reports to the Board of Directors through the Audit and Compliance Committee and which is mainly tasked with ensuring compliance with the principles of action and the standards of conduct set out in the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and in any other internal regulations of conduct of the Group.

The Committee of Ethics is a collegial body made up of four members: the General Counsel and Chief Compliance Officer; the Chief Audit Officer; the Chief Sustainability Officer and the Chief Human Resources Officer.

Additionally, the Group counts on a Social Advisory Board, an external permanent advisory body which advises Inditex on social responsibility and environmental sustainability matters. It is made up of external independent advisors, and is responsible, without limitation, for implementing and officializing dialogue with key participants in the civil society where Inditex implements its business model. The Social Advisory Board plays a key role in determining the materiality matrix, together with Inditex stakeholders.

9. Disclosure of the Sustainability practices

Sustainability practices shall be disclosed in accordance with the provisions of the Policy on Disclosure of Economic-Financial, non-Financial and Corporate Information.

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

Thus, the Annual Report and the Statement on Non-Financial Information allow Stakeholders to assess value creation and the performance of the Group in the year in question.

In addition, Inditex has established effective lines for fluent communication with authorities, public administrations, non-governmental organizations, local communities and other stakeholders, to ensure compliance with the Policy.

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