

# INDITEX



## Ecosystems and Biodiversity

Policy

Approved by the Board of Directors on 10 September 2024

## About this Policy

Reference	-
Name	Ecosystems and Biodiversity Policy
Overview	The Policy addresses Inditex Group's commitment to driving a balanced and sustainable management and conservation of forests and other natural ecosystems which might be affected by its operations, as well as its commitment to their protection and recovery.
Theme	Sustainability, Environment
Scope	Global
Type	Policy
Owner	Sustainability Department
Approved on	10 September 2024
Version	1.0
Remarks	<p>The Policy has been approved by the board of directors, following a favourable report issued by the Sustainability Committee and the Audit and Compliance Committee, and with the participation of the Social Advisory Board.</p> <p>The Policy supersedes the Forest Product Policy to protect Ancient and Endangered forests of the Inditex Group approved in March 2014.</p>

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## 1. Purpose

The Ecosystems and Biodiversity Policy of the Inditex Group (the "Policy") seeks to address Inditex Group's commitment to (i) no deforestation, no degradation or no conversion, and to (ii) the betterment of biodiversity and the ecosystem health. The Inditex Group promotes the balanced and sustainable management, preservation and recovery of Ancient and Endangered Forests and other natural ecosystems, which may be impacted by the operations of the Group (including the purchase of products and supplies) and by other activities along the value chain of the Inditex Group. This Policy also acts upon the need for increased contributions from all actors of society, including the private sector, to stop and reverse ecosystem degradation and biodiversity loss.

Through this Policy, Inditex Group undertakes to: (i) work for the protection and restoration of forests and other natural ecosystems, improving their health, integrity, and resilience; and (ii) advocate for sourcing, production and other value chain practices that avoid and reduce pressures on biodiversity and ecosystem integrity, are developed in line with the Planetary Boundaries while safeguarding human rights, including those of Indigenous Peoples<sup>i</sup>. The Policy takes as a foundation various initiatives, such as the Accountability Framework initiative, the conclusions of the Global Assessment Report of Biodiversity and Ecosystem Services issued by IPBES, the Kunming-Montreal Global Biodiversity Framework, as well as the advancing scientific understanding in this area.

In addition, Inditex Group has taken complementary measures to support the Policy, such as its involvement in actions towards natural ecosystem recovery and enhanced resilience, and its contribution towards transformative actions through collaboration and innovation within the fashion sector, related production landscapes and other value chain areas.

The Policy considers both the Group's interests and the expectations and needs of its stakeholders. The enforcement of the Policy shall not entail the violation of applicable laws on the markets where the Group operates.

Where necessary, local internal regulations may be approved to ensure that the Policy is aligned with local requirements. In such cases, local policies should adjust as much as possible to the structure and provisions hereunder laid down, only adjusting or supplementing what is strictly necessary to meet statutory and/or local requirements. In such cases, in the event of any discrepancy between the provisions of any local policy and this Policy, the former shall prevail. Where a local policy does not make provisions for a particular matter, this Policy shall apply on a supplementary basis.

## 2. Definitions

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

### *Life-Cycle Assessment ("LCA")*

Tool used to evaluate environmental impacts of a product, process or activity throughout the entire life cycle.

### *Ancient and Endangered Forests*

Intact forest landscape mosaics, naturally rare forest types, forest types that have been made rare due to human activity, and/or other forests that are ecologically critical for the protection of biological diversity<sup>ii</sup>.

### *Inditex Group's Codes of Conduct*

The Code of Conduct and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group.

### *Conversion*

Loss of a natural ecosystem as a result of its replacement with agriculture or another land use, or due to a

profound and sustained change in a natural ecosystem's species composition, structure, or function<sup>iii</sup>.

### ***Deforestation***

Loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation<sup>iv</sup>.

### ***Degradation***

Changes within a natural ecosystem that significantly and negatively affect its species composition, structure, and/or function and reduce the ecosystem's capacity to supply products, support biodiversity, and/or deliver ecosystem services<sup>v</sup>.

### ***Biodiversity***

The variability among living organisms from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part<sup>vi</sup>.

### ***Natural ecosystem***

An ecosystem that substantially resembles—in terms of species composition, structure, and ecological function—one that is or would be found in a given area in the absence of major human impacts. This includes human-managed ecosystems where much of the natural species composition, structure, and ecological function are present<sup>vii</sup>.

### ***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.

### ***Inditex Group's Stakeholders***

People at Inditex, customers, shareholders, manufacturers and suppliers, business partners, non-governmental organizations (NGOs), local communities and the society at large.

### ***Inditex (also, the "Company")***

Industria de Diseño Textil, S.A. (Inditex, S.A.), parent company of the Inditex Group.

### ***Ecosystem Integrity***

The ability of an ecosystem to support and maintain ecological processes and a diverse community of organisms. It is measured as the degree to which a diverse community of native organisms is maintained, and is used as a proxy for ecological resilience, intended as the capacity of an ecosystem to adapt in the face of stressors, while maintaining the functions of interest<sup>viii</sup>.

### ***IPBES ("Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services")***

An independent intergovernmental body established by States to strengthen the science-policy interface for biodiversity and ecosystem services for the conservation and sustainable use of biodiversity, long-term human well-being and sustainable development. IPBES has identified the direct drivers or pressures that unequivocally influence biodiversity and ecosystem processes, which are: land, freshwater and ocean use change; climate change; pollution; natural resource use and exploitation; and invasive species and other disturbances<sup>ix</sup>.

### ***Planetary boundaries***

Set of 9 planetary boundaries within which humanity can continue to develop and thrive for generations to come. Together they mark a critical threshold for increasing risks to people and the ecosystems we are part of<sup>ix</sup>.

### ***Accountability Framework Initiative***

The Accountability Framework is a practical roadmap for addressing deforestation, conversion, and human rights in the agriculture and forestry sectors. It represents the consensus of a diverse coalition of environmental and human rights NGOs, as well as expectations from leading companies, financial institutions, and international norms<sup>x</sup>.

### ***Preferred materials***

Fibre or raw material that delivers consistently reduced impacts and increased benefits for climate, nature, and people against the conventional equivalent, through a holistic approach to transforming production systems<sup>xi</sup>.

### ***Indigenous Peoples***

People having distinct language, culture and beliefs, or a distinct social, economic or political system, often different from the predominant ones, who share strong collective ties to the lands and natural resources where they live, a common identity and a determination to keep and reproduce their ancestral environments and systems as distinct people and communities.

### ***Regenerative practices***

Refer to agricultural practices that deliver outcomes in terms of improved soil quality and biodiversity gains, create more resilient communities, streamline water management and reduce CO<sub>2</sub> emissions.

### ***Material Risk***

Risk that surpasses a given threshold according to the risk assessment of the Inditex Group which, within the framework of this Policy, is carried out following a “double materiality” approach, analysing on the one hand, the actual and/or potential impact of the Group’s activities on the environment and on people and, on the other, the actual and/or potential financial effects that environment may have on the performance of the Inditex Group.

### ***Ecosystem health***

A state or condition of an ecosystem that expresses attributes of biodiversity within normal ranges, relative to its ecological stage of development<sup>xii</sup>.

### ***Ecosystem services***

The benefits people obtain from ecosystems, which can be divided into 4 different classes: (i) supporting, (ii) regulating, (iii) provisioning and (iv) cultural<sup>xiii</sup>.

### 3. Scope

#### Subjective scope

This Policy is mandatory for all companies and people at Inditex Group and for all the people that are part of the Group, irrespective of their role, position, department or geographical location.

The Policy also applies to anyone rendering services or collaborating with the Inditex Group on any terms other than an employment relationship, such as board members or directors in any company of the Group, unpaid interns and anyone engaged or about to be engaged in a professional relationship with the Group, when this is possible due to the nature of the relationship and is convenient for the fulfilment of the purpose of the Policy.

The Policy applies to every supplier of product and non-product of the Inditex Group, irrespective of their whereabouts, provided that they supply the Group with materials, products or services that may pose a Material Risk. In addition, Inditex Group's suppliers are bound to enforce this Policy across their entire supply chain

#### Objective scope: materials, activities and ecosystems affected

The Inditex Group does and will continually assess by means of the due diligence system in place the risk associated with its operations, sourcing and other value chain activities, identifying those which imply a Material Risk given the aim of this Policy. As its knowledge and understanding on its impacts on natural ecosystems continually evolves, the Inditex Group will adjust the scope of the Policy accordingly, adding new materials, activities and requirements where necessary, also reinforcing the associated controls and due diligence measures.

The Inditex Group acknowledges the need to pay special attention to impacts on forest and other natural ecosystems with high integrity and unique ecosystem values and to areas known to be experiencing worrying levels of degradation due to their key role as providers of ecosystem services, like water provision, reservoirs of biodiversity or their contribution to climate change mitigation and adaptation.

Further information on the scope of this Policy, including a list of materials and activities, ecosystems affected and cut-off dates, as well as associated requirements, can be found in the documents headed "Scope of the Policy on Ecosystems and Biodiversity" and "Requirements of the Policy on Ecosystems and Biodiversity", available on the corporate website ([www.inditex.com](http://www.inditex.com)) and on the suppliers' Extranet of the Inditex Group.

### 4. General principles. Action lines

Inditex Group believes in a responsible and sustainable management of natural resources, encouraging natural ecosystem and biodiversity betterment and preservation in harmony with Planetary boundaries. For this reason, Inditex carries out individual and collaborative actions aimed at the preservation and restoration of nature, respect for the rights and the welfare of local communities, in line with its commitment to create a fair and resilient society and an underlying healthy environment.

This Policy is articulated through the 3 general principles below:

- / **Continuous improved operational, sourcing and value chain practices.**
- / **Contribution to transformative action through innovation and collaboration.**
- / **Contribution towards nature recovery and resilience.**

#### 4.1. Continuous improved operational, sourcing and value chain practices

Inditex Group is committed to addressing negative impacts and Material Risks on ecosystems and biodiversity that may result from its activities. In this sense, Inditex Group recognizes the importance to continue advancing with the development, improvement and implementation of the necessary lines of action, systems and procedures to prevent deforestation, conversion and degradation of natural ecosystems as a result of its own operations, sourcing and other activities along its value chain. These include:

- / Advancing in value chain mapping and traceability to detect and monitor the evolution of its impacts.
- / Conduct due diligence and assessment processes to evaluate potential risks and impacts and implement the necessary measures to address and prevent them.
- / Engagement with third parties within its value chain, with special attention to:
  - (i) Suppliers and producers, through third party audits, demands for certification under credible standards and a progressive and consistent transition into preferred materials, supply chain and impact disclosure, due diligence demands, the promotion of chain of custody traceability, improved production practices, and other actions towards the prevention of ecosystem conversion and degradation; and
  - (ii) The owner of standards advocating for responsible practices, to improve their scope and reach, and strengthen their criteria towards lower impact on nature and the respect of human rights, including the rights of Indigenous Peoples.

Given Inditex Group estimates that the most likely impact in terms of natural ecosystem conversion and degradation stems from the sourcing, production and transformation processes of materials, supplies and products in connection to its commercial offer and operations, further action is articulated through:

- a) Refusal to use materials and products linked to deforestation, sourcing from Ancient and Endangered forests and ecosystem conversion and degradation

Inditex Group will not accept products and raw materials that have contributed to deforestation, degradation or conversion of natural ecosystems, or which come from land that was deforested, degraded or converted from natural ecosystems, given its impact in biodiversity loss and disruption of Ecosystem Services. The Group works against deforestation, sourcing from Ancient and Endangered Forests, and conversion, understood not only as illegal or badly managed logging and ecosystem conversion, but any kind of human-induced forest and other natural ecosystems degradation or conversion.

- b) Sourcing of products, supplies and raw materials with lower overall impact

Inditex Group acknowledges the importance of controlling sourcing impacts along all pressures responsible for biodiversity loss and ecosystem degradation, as identified by the IPBES. For this purpose, Inditex Group prioritizes sourcing of raw materials, supplies and products that avoid and reduce negative impacts on ecosystems throughout their whole life cycle. Furthermore, it is also important for the Group to ensure that the rights of people involved in their production and processing, or that may be affected by it, are respected and protected, including those of Indigenous Peoples, given their key role in the preservation of natural ecosystems and biodiversity.

For this purpose, Inditex Group prioritizes the use of raw materials, supplies and products that:

- / Are grown under organic or regenerative practices.



- / Include high recycled content, or other Life Cycle Assessment (“LCA”) proven lower impact next generation fibres, such as from agricultural residues that do not interfere with the need to return part of this residue to the soil to increase nutrients and resilience.
- / Are certificated under credible standards that follow an independent third-party verification procedure.
- / Are produced with a significant comparable and verifiable lower impact on the environment than their conventional counterparts, including through the use of transformational manufacturing environmentally respectful processes.
- / Are obtained and produced safeguarding human rights as specified in the Codes of Conduct and the Human Rights Policy of the Inditex Group, as well as the rights of Indigenous Peoples.
- / Facilitate full traceability throughout its supply chain.

#### **4.2. Contribution to transformative action through innovation and collaboration**

Given the systemic and complex nature of the challenge to protect and recover the integrity and resilience of natural ecosystems, Inditex Group believes that this can only be addressed through collaboration among a heterogeneity of agents and the development of innovative approaches, including technologies, procedures and better knowledge and understanding of impacts and solutions. In this sense, Inditex Group is committed to working towards transformation of the fashion sector value chain, including the facilities and landscapes where it operates or sources from.

This is articulated through the following action lines:

- / Facilitate the transition to improved management systems, through proof of concept, capacity building, incentives for best practices and supplier engagement, that result in a reduced environmental impact while aiming towards improvement in soil, water and climate conditions, protecting biodiversity and improving community welfare.
- / Promote the development and implementation of technological and procedural innovations that result in an overall decrease of environmental impact of products and activities throughout their value chain. This should be done under the principle of ‘Open Access Innovation’, sharing findings and knowledge broadly to enable scale and further uptake of solutions, advancing scientific progress and benefiting the society at large.
- / Promote the value and recognition of ecosystem services and incorporate ecosystem and nature-related risk in its corporate risk assessment.
- / Participate in nature protection initiatives and in calls for more strict regulation towards the protection and restoration of natural ecosystems.
- / Promote a better understanding of the fashion sector impact and dependencies on ecosystems, the drivers of ecosystem conversion and degradation, and the opportunities and best outcome solutions to address them, contributing to knowledge development through a science-based approach.
- / Address the need for nature improvement from a system-level perspective, for instance, with landscape, jurisdictional and ecoregional perspectives, recognizing the importance of active engagement and collaboration with other agents and stakeholders across the Group’s value chain and where this is relevant to meet the purposes of the Policy.

### 4.3. Contribution towards nature recovery and resilience

The Group will support initiatives towards reversing deforestation and ecosystem degradation and conversion, working towards nature recovery through innovative solutions and collaborations.

This will be articulated along the following lines:

- / Contributing to natural ecosystems restoration, regeneration and enhanced resilience, given their key role in the provision of ecosystem services on which our business and a balanced and resilient society depend.
- / Recognition of the higher ecosystem value of intact and high integrity ecosystems, giving priority to the protection of such remaining areas and landscapes, while engaging in restoration of degraded natural areas through collaboration with expert organizations in the field of ecosystem protection and community resilience, balancing the needs and rights of local communities, including Indigenous Peoples, and the natural ecosystems where they inhabit.
- / Support climate mitigation and adaptation efforts through the prevention of deforestation and ecosystem conversion and degradation, as well as natural ecosystem restoration and recovery. This is based on the recognition of the interdependence between climate and nature, with nature-based solutions and the promotion of natural ecosystem health playing a key role towards avoiding and reducing the effects of climate change, while building community and nature resilience, as well as the critical importance of climate change mitigation for the preservation of natural ecosystems and biodiversity.
- / Support the co-existence of productive uses with higher ecosystem integrity and the protection and improvement of soil health, water quality and provision, climate change mitigation, community welfare, and the protection of biodiversity, for example, through the promotion of regenerative practices.

## 5. Grievance mechanisms: Ethics Committee and Ethics Line

Anyone at Inditex as well as the stakeholders of the Group can address questions about this Policy via the Ethics Line.

The Ethics Line is the preferred confidential channel to receive, investigate and handle any potential breach of the Policy and implement, as the case may be, the relevant remediation measures. Where a local or specific ethics line exists, concerns should be sent via this latter.

The Group will go through every concern or report received within the scope of the Policy.

The Ethics Line can be accessed on INET and/or on the company's website ([www.inditex.com](http://www.inditex.com)) or via any other communication channel set out in the Ethics Line procedure, or in the procedures for local or specific lines.

Likewise, anyone can send a concern within the scope of the Policy to their Line Manager, the HR Department or the Sustainability Department.

### How the Ethics Line works. Procedure

The Ethics Line is managed by the Ethics Committee, the competent body to process and resolve concerns within the scope of the Policy, except where in accordance with applicable local laws, a local committee has been appointed to operate the local ethics line.

Concerns shall be processed in accordance with the Group's internal regulations, in particular, with the Global Policy on Internal Reporting Channels and the Ethics Line Procedure, both of which are available on INET and in [www.inditex.com](http://www.inditex.com).

## 6. Roles and responsibilities

### People within the Inditex Group and Suppliers of the Group

Everyone at Inditex Group must observe this Policy and take the training imparted in the field.

Suppliers of the Inditex Group who supply it with materials, products or services that may pose a Material Risk pursuant to the Policy, shall observe it and enforce it across their entire supply chain.

Anyone aware of a situation of breach of this Policy can report it via the Ethics Line, with the warranties set out in the foregoing section.

### Board of directors and board committees

It is incumbent: (i) on the board of directors: to approve and/or amend the Policy following a report from the pertaining board committee; (ii) on the Sustainability Committee: to oversee the enforcement of the principles and practices arising from the Policy; and (iii) on the Audit and Compliance Committee: to oversee and monitor the efficacy of internal enterprise risk management systems, and to oversee and evaluate financial and non-financial risks arising from the proceedings of the Group, in particular in the field of ecosystems and biodiversity, pursuant to the Policy.

### Ethics Committee

The Ethics Committee is tasked, inter alia, with:

- / Following through to completion the cases relating to violation of this Policy reported via the Ethics Line.
- / Apprising the Audit and Compliance Committee of any serious breach of the Policy reported via the Ethics Line.

### Social Advisory Board

The Social Advisory Board, made up of external and independent members, is tasked with advising the Inditex Group on various sustainability matters, being a key stakeholder communication channel in this regard.

### Sustainability Department

The Sustainability Department is responsible for implementing, executing and managing the Policy. It is charged, inter alia, with:

- / Effectively implementing the Policy by taking the appropriate action, including setting in train an oversight system, with regular reviews and follows-up.
- / Planning and managing training and awareness-raising about the Policy.
- / Liaising with the General Counsel's Office – Compliance, assisting the Ethics Committee as necessary with the investigation of concerns or reports relating to any breach of this Policy and with the drafting of investigation reports, and with the implementation of the measures to be taken, including, if appropriate, any disciplinary measures relating to anyone at Inditex, the termination of trade relations with third parties and/or their reporting to competent authorities.
- / Regularly reviewing the Policy, together with the Legal department, to ensure that is aligned with applicable laws.

### Legal Department

The Legal Department will provide legal advice regarding the Policy's alignment with applicable laws.

### General Counsel's Office - Compliance

The General Counsel's Office – Compliance is tasked with:

- / Coordinating the reviews and updates of the Policy, in collaboration with the Sustainability Department.
- / Assisting the Ethics Committee where necessary to handle and resolve concerns, reports or questions about the Policy, with the support of internal areas or the relevant external resources.
- / Ensuring that the due diligence process, designed to identify potential risks and impacts and implement the required measures to prevent and handle them, is aligned with the Due Diligence Policy and the applicable laws.

#### Internal Audit

Pursuant to the Internal Audit Charter and its annual activities Plan, Internal Audit may carry out audits to assess compliance with the Policy.

### **7. Violation of the Policy**

Violation of this Policy may result in serious consequences, including the termination of business relations with non-compliant suppliers, when engagement efforts towards remediation have not been successful.

The course of action in relation to non-compliances will depend in each case on their severity (as per intensity, scale and persistence), the capacity, track record, and degree of control or culpability of the supplier, with additional care and contextualization if smallholders are affected.

### **8. Disclosure and training**

This Policy is available on the Inditex Group intranet (INET) and on the corporate website ([www.inditex.com](http://www.inditex.com)). Likewise, the Sustainability Department will, liaising with the relevant departments and local teams at subsidiary's level, implement the relevant communication and awareness-raising actions to ensure the appropriate understanding and implementation of this Policy.

Pursuant to applicable laws and internal regulations, transparency is the fundamental principle that inspires Inditex in all its communication activities, in relation to all its stakeholders.

### **9. Oversight and control. Audit.**

Inditex Group will be subject to periodic reviews and controls, including audits carried out by the Internal Audit Department, to assess overall compliance with the Policy.

### **10. Update and review**

This Policy shall be reviewed and updated, where necessary, at the behest of the Sustainability Department, liaising with the Legal Department and the General Counsel's Office - Compliance, in order to encompass regulatory changes or best practices as may be required from time to time.

## Appendix

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<sup>i</sup> Pursuant to the “United Nations Declaration on the Rights of Indigenous Peoples”.

<sup>ii</sup> Definition by Canopy: <https://canopyplanet.org/tools/forestmapper/sciencebehind/> (As at the date of the Policy’s approval)

<sup>iii</sup> Definition by the Accountability Framework Initiative: <https://accountability-framework.org/use-the-accountability-framework/definitions/> (As at the date of the Policy’s approval)

<sup>iv</sup> Definition by the Accountability Framework Initiative: <https://accountability-framework.org/use-the-accountability-framework/definitions/> (As at the date of the Policy’s approval)

<sup>v</sup> Definition by the Accountability Framework Initiative: <https://accountability-framework.org/use-the-accountability-framework/definitions/> (As at the date of the Policy’s approval)

<sup>vi</sup> Definition by IPBES <https://www.ipbes.net/glossary/biodiversity> (As at the date of the Policy’s approval)

<sup>vii</sup> Definition by the Accountability Framework Initiative: <https://accountability-framework.org/use-the-accountability-framework/definitions/> (As at the date of the Policy’s approval)

<sup>viii</sup> Definition by IPBES: <https://www.ipbes.net/glossary-tag/ecosystem-integrity> (As at the date of the Policy’s approval)

<sup>ix</sup> Definition by IPBES: <https://www.ipbes.net/about> (As at the date of the Policy’s approval)

<sup>x</sup> Definition by the Accountability Framework initiative: <https://accountability-framework.org/about/about-the-accountability-framework/> (As at the date of the Policy’s approval)

<sup>xi</sup> Definition by Textile Exchange: <https://textileexchange.org/faq/what-is-the-definition-of-a-preferred-fiber-or-material/> (As at the date of the Policy’s approval)

<sup>xii</sup> Definition by IPBES: <https://www.ipbes.net/glossary-tag/ecosystem-health> (As at the date of the Policy’s approval)

<sup>xiii</sup> Definition by IPBES: <https://www.ipbes.net/glossary/ecosystem-services> (As at the date of the Policy’s approval)

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