

**CORPORATE SOCIAL RESPONSIBILITY POLICY**

**OF**

**INDITEX TRENT RETAIL INDIA PRIVATE LIMITED**

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## I. INTRODUCTION

- 1.1 Inditex Trent Retail India Private Limited (**'Inditex India'**), a private limited company, incorporated under the provisions of Companies Act, 1956, and having its registered office at Ambience Corporate Office Tower 2, Level 8, Plot No. 3, Unit No. 1 (Office 1), Ambience Island, NH-8, Gurgaon 122002, Haryana, India, bearing Corporate Identity Number U74900HR2009FTC043768, is engaged in the business of retail of garments, footwear, accessories, etc.
- 1.2 Inditex India is guided by the highest standards of corporate governance. Inditex India believes in 'inclusive development' and seeks to continue to be a good corporate citizen in various aspects of its operations and activities. Inditex India is a part of the Inditex Group. As stated in Inditex Group's Code of Conduct and Responsible Practices, its Corporate Social Responsibility (CSR), understood as its social and environmental commitment in the development of its business activity, to the benefit of all its stakeholders, forms an inseparable part of its business model. As a responsible business entity, Inditex India takes pride in being socially inclined and focused on sustained and effective CSR activities. Based on this philosophy, Inditex India has webbed its vision and mission on its CSR activities.

## II. FOCUS AREAS

- 2.1 Inditex India endeavors that all initiatives undertaken by it should have an impact on the beneficiaries in improving their lives. The initiatives also should be replicable, scalable and sustainable on a long term basis. In line with this objective and keeping in mind its operations, Inditex India aims to focus on impacting lives and livelihood. Accordingly, Inditex India has identified the following focus areas for its CSR activities which would also fall within the activities approved under Companies Act, 2013 and rules made thereunder (**'the Act'**).
- 2.2 Initially, Inditex India intends to focus its CSR activities to the following areas:
  - a. Contribution to the Prime Minister's National Relief Fund or any other funds set up by the Central Government for socio-economic development.
  - b. Eradicating poverty, hunger and malnutrition, promoting health care including preventive health care and sanitation, making available safe drinking water and undertaking rural development projects.
  - c. Promoting education, employment enhancing vocation skills and livelihood enhancement projects especially among children, women, elderly and the differently abled.
  - d. Promoting gender equality, empowering women and senior citizens, and undertaking measures for reducing inequalities faced by socially and economically backward groups.
  - e. Ensuring environmental sustainability, ecological balance, conservation of natural resources and maintaining quality of soil, air and water.

**Other initiatives:** In addition to the above, Inditex India could also undertake various other need based initiatives in compliance with the provisions of the Act.

- 2.3 Inditex India, through its board of directors (**‘Board’**) or CSR Committee (**“CSR Committee”/ “Committee”**) constituted for the purposes of CSR activities, will decide on the locations for CSR activities. While the focus of CSR efforts will be in the local areas and areas around it where Inditex India operates, it may also undertake projects where societal needs are high or in special situations (such as in the case of natural disasters, etc.).
- 2.4 The CSR activities of Inditex India shall exclude the following:
- 2.4.1 Activities undertaken in pursuance of normal course of business.
  - 2.4.2 Activities undertaken outside India except for training of Indian sports personnel representing any Indian State or Indian Union territory at national level or India at international level.
  - 2.4.3 Contribution of any amount directly or indirectly to any political party.
  - 2.4.4 Activities benefitting the employees of Inditex India as defined in clause (k) of section of the Code on Wages, 2019 (29 of 2019) or their families.<sup>1</sup>
  - 2.4.5 Activities on sponsorship basis for deriving marketing benefits for the products or services of the Inditex India.
  - 2.4.6 Activities carried out for fulfilment of any statutory obligations under Indian laws

### **III. CONSTITUTION AND MEETING OF THE CSR COMMITTEE**

- 3.1 The Committee shall comprise a minimum of three (3) members of the Board.
- 3.2 The Committee members shall be appointed by resolution of the Board. Each member shall continue as a member until a successor is appointed, unless the member resigns, or is removed by resolution of the Board or otherwise ceases to be a member of the Board.
- 3.3 Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.
- 3.4 The Chair of the meeting shall be chosen by the Committee from among the members present in the meeting.
- 3.5 The Chair presiding at any meeting of the Committee shall have a vote in all matters considered by the Committee. In the event of a tie, the motion is defeated.
- 3.6 The Committee shall meet at least once a year.
- 3.7 A meeting of the Committee may be called by two members of the Committee or by the Board.
- 3.8 A quorum for meetings of the Committee shall be two members.

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<sup>1</sup> As per the (Indian) Code on Wages, 2019, "employee" means, any person (other than an apprentice engaged under the Apprentices Act, 1961), employed on wages by an establishment to do any skilled, semi-skilled or unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied, and also includes a person declared to be an employee by the appropriate Government, but does not include any member of the Armed Forces of the Union of India.

#### IV. ROLE OF BOARD AND THE CSR COMMITTEE

- 4.1 The CSR policy and the constitution shall be monitored through the CSR Committee which has been constituted by the Board in accordance with the provisions of the Act. In broad terms, the role of Board of directors and CSR Committee is as under:

##### Board of directors

- Form a CSR Committee
- Approve the CSR policy
- Approve the annual action plan and alter it, during the financial year, based on a reasonable justification from the CSR Committee
- Ensure 2% spend
- Satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it
- Disclose reasons for not spending the amount (if applicable)
- If required, engage international organization(s) as prescribed under the Act for designing, monitoring and evaluation of the CSR projects/ programs

##### CSR Committee

- Formulate and recommend a CSR policy to the Board, including any modification thereto
- Formulate and recommend to the Board an annual action plan
- Monitor the CSR activities being undertaken in accordance with the annual action plan. On reasonable grounds, during the financial year, recommend alterations in the annual action plan to the Board
- Monitor the CSR policy from time to time

- 4.2 The CSR policy shall be placed on Inditex India's website: [www.zara.com/in/](http://www.zara.com/in/)

#### V. CSR FUNDS & EXPENDITURE

- 5.1 The Board should ensure that at least 2% of average net profits of the last three years is spent on CSR initiatives undertaken by Inditex India.
- 5.2 Subject to the provisions of the Act, in case at least 2% of average net profits of the 3 (three) immediately preceding financial years is not spent in a financial year by Inditex India on CSR activities/ initiatives, reasons for the same shall be specified in the Board's report and the unspent CSR expenditure shall be spent in accordance with the provisions of the Act.
- 5.3 Any surpluses generated out of CSR activities shall not form part of the business profits of Inditex India and shall be spent within a period of 6 months of the expiry of the financial year in any of the following manner:
- 5.3.1 ploughed back into the same CSR project, where pertaining to an Ongoing Project; or
  - 5.3.2 transferred to the Unspent CSR Account and spent in pursuance of the CSR policy and annual action plan of Inditex India; or
  - 5.3.3 transferred to a Fund specified in Schedule VII of the Act.

- 5.4 CSR expenditure will include all expenditure, direct and indirect, incurred by Inditex India on CSR activities, including the expenditure undertaken on the same, either directly or through indirect implementing agencies in accordance with its approved CSR policy. Any expense on an item not in conformity or not in line with the said activities shall not form part of the CSR expenditure.
- 5.5 Inditex India may build CSR capacities of its own personnel as well as those of the implementing agencies through institutions with established track records of at least 3 financial years, but the administrative overheads, shall not exceed 5% of the total CSR expenditure of Inditex India for the concerned financial year.
- 5.6 Any amount spent in excess of the CSR obligation of Inditex India (excluding the surplus arising out of the CSR activities) in a particular financial year, with the approval of the Board, may be set off against the CSR expenditure obligation of Inditex India for the immediately succeeding 3 financial years.
- 5.7 Where any CSR expenditure is made by Inditex India for creation or acquisition of a capital asset, the ownership of such capital asset shall be held by an organization as prescribed under the Act.

## **VI. MONITORING & REVIEW MECHANISM**

- 6.1 The CSR Committee, or a person / team designated by it, shall formulate the annual action plan comprising of the details of the projects/ programmes to be undertaken by Inditex India, the modalities of utilisation of the CSR funds, the expected outcome and milestones that are expected to be achieved in each and every activity, details of need and impact assessment, if any, for the CSR activities. Based on the same, it shall monitor the activities from time to time in order to ensure their effective implementation. The designated person / team shall monitor the status of each project and report its findings to the CSR Committee periodically.
- 6.2 The CSR Committee shall institute a transparent monitoring and review mechanism for implementation of the CSR projects or programs or activities undertaken pursuant to this policy. The review may range from local and regional level MIS and exception reporting to senior level review on a periodical basis, designing the action plans and monitoring their achievements and reporting back to the CSR Committee and then to the Board.
- 6.3 Inditex India may adopt evaluation and audit mechanism.
- 6.4 Besides evaluation, the CSR Committee shall also review its activities and decide on the future course on the basis of socio-economic baseline studies that would assess the needs and priorities of the community at-large and align its programs to meet the desired objectives.
- 6.5 At the end of each financial year the Chief Financial Officer or person responsible for financial management of Inditex India shall confirm to the Board that the CSR funds have been spent/ utilized in accordance with the annual action plan.

## **VII. AMENDMENTS**

- 7.1 The Board may approve amendments in the CSR policy, subject to recommendations from the CSR Committee.